Austria	Sch22	Iran	[illegible]	Philippines	[illegible]
Bahrain	Din0.650	Israel	[illegible]	Portugal	Esc120
Belgium	BFr45	Italy	L1700	Qatar	QR6.50
Canada	C$1.00	Japan	Y380	S.Arabia	Rls7.00
Cyprus	C£0.90	Jordan	Fils500	Singapore	S$4.10
Denmark	DKr10.00	Kuwait	Fils.500	Spain	Pta145
Egypt	E£2.25	Lebanon	[illegible]	Sri Lanka	Rup30
Finland	Fmk7.00	Lux	LFr45	Sweden	SKr9.00
France	FFr7.00	Malaysia	Rin4.25	Switz	SFr2.20
Germany	DM2.20	Mexico	[illegible]	Taiwan	NT$65
Greece	Dr125	Morocco	[illegible]	Thailand	[illegible]
Hong Kong	HK$12	Neth	Fl3.50	Tunisia	Din0.650
Iceland	Kr125	Nigeria	[illegible]	Turkey	L800
India	Rup15	Norway	[illegible]	UAE	Dh6.00
Indonesia	[illegible]	Oman	OR1	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,799 — Tuesday March 21 1989 — D 8523A

NEW ZEALAND

Business pines for 'Rogernomics'

Page 6

World News

Right wing claims poll victory in El Salvador

Alfredo Cristiani, right-wing candidate of the Arena party claimed outright victory in El Salvador's presidential elections, which were overshadowed by fierce clashes between rebels and security forces and the deaths of three journalists. Page 6

Chinese austerity

Chinese leader Premier Li Peng told the annual meeting of China's parliament that the country's economy needed at least two more years of austerity. Party leader Deng Xiaoping was absent from the meeting. Page 24

Clowes refund

The majority of the 11,000 UK investors in Barlow Clowes International, the Gibraltar arm of Mr Peter Clowes' collapsed fund management empire, could get little or nothing from any funds salvaged from the collapse, the High Court in London was told. Page 15

Ambassadors return

Britain's EC partners are likely to send their ambassadors back to Tehran, following a European Community decision to relax sanctions imposed on Iran after its death threats against Mr Salman Rushdie, the British author.

SA embassy refuge

Four South African detainees escaped from a Pretoria hospital and took refuge in the West German embassy in the city. Page 6

Contra quandary

The anti-Nicaraguan Contra "freedom" fighters are in a quandary as the US considers improving relations with the Managua regime. Page 24

Solidarity return

Polish national congress saw return to the political stage of Farmers' Solidarity, the independent rural movement banned in 1981. Page 2

Korean poll deferred

The tense political situation in South Korea was temporarily relaxed when President Roh Tae Woo announced that a referendum on his rule was to be postponed. Page 4

Mubarak appeal

President Mubarak of Egypt appealed to Israel to put aside fears and suspicions and engage constructively in a Middle East peace drive. Page 4

US Marine deaths

US Marine Corps helicopter taking part in war games in South Korea crashed, killing 19 marines and injuring 15.

Germans captured

Right-wing Mozambican rebels claimed to have captured three International Red Cross workers from West Germany.

Gandhi charges

At least four more people are to be charged with conspiring to assassinate Indian Prime Minister Indira Gandhi.

Irish angels

New York's controversial Guardian Angels crime fighters plan to extend their operations to Dublin.

Burnt coconuts

Spanish police burned up to 50,000 coconuts in Cadiz after smashing them to extract smuggled cocaine.

Business Summary

IMF rules out guarantees to speed debt reductions

THE managing director of the International Monetary Fund has ruled out the use of IMF guarantees to accelerate debt reduction in problem debtor countries. Page 24

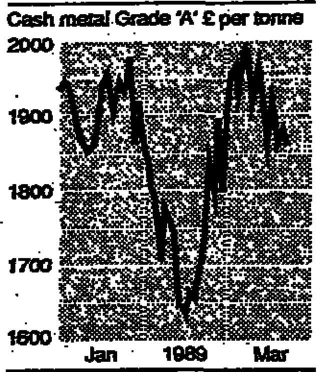
BUNDESBANK, the central bank, says West German companies are expected to speed up the pace of new investment to keep up with rising demand. Page 3

BAYER, the West German chemicals concern, said group pre-tax profits jumped 23 per cent to a record $2bn last year. Page 25

COPPER prices eased early in the morning reflecting a larger than expected increase of 6,250 tonnes in London

Copper

Cash metal Grade 'A' £ per tonne



Metal Exchange warehouse stocks. This came on top of Friday's rise of 990 tonnes in stocks on Comex. Page 36

BLACK and Decker, the power tools and appliances group, is to expand its product line with a $2.5bn, $40 a share agreed takeover offer for Emhart, a manufacturer of DIY products. Page 24.

MAZDA Motor, Japanese car maker, confirmed reports that it was studying the possibility of a production tie up with Ford in Europe. Page 7

PSA, the Peugeot Citroen car group, is embarking on the first leg of an assault on the West European executive car market with the launch today of Citroen's new top car, the XM. Page 25

OECD, the Organisation for Economic Co-operation and Development, the Paris-based grouping of industrialised nations, has called on its member countries to press on with the process of structural adjustment. Page 3

SOUTH KOREA'S Economic Planning Board said it will tighten its controls on private business with communist nations and require government approval for joint ventures over $1m. Page 7

METANA MINERALS, Australian natural resources group in which European shareholders account for 50 per cent of the issued capital, reported a net consolidated loss of $56.6m. Page 28

SWILYNN (Hong Kong) said it planned to build a $3m plant in Hartlepool, north-east England, to manufacture video cassette tapes. Page 16

JARDINE MATHESON, Hong Kong conglomerate, announced net profits up 42 per cent last year to $142.3m. Page 27

PHILIPPINES plans to reduce its request to commercial creditors for new loans of around $1.6bn. Page 4.

NIPPON LIFE, Japan's largest life assurer, is to strengthen commercial links with Deutsche Bank of West Germany and with Crédit Lyonnais, the leading French bank. Page 26

NEW ZEALAND'S major economic indicators except the two most politically sensitive — interest rates and unemployment — have improved in recent weeks. Page 4

Airbus partners agree reforms to tackle losses

By Guy de Jonquières, International Business Editor, in London

GOVERNMENTS and aerospace companies involved in the four-nation European Airbus project have agreed on a shake-up of the the loss-making programme, intended to improve its efficiency and make it commercially more accountable.

The agreement, which provides for a streamlined management structure, tighter financial controls and more competitive sub-contracting arrangements, was reached at a meeting of the supervisory board of Airbus Industrie (AI) in Toulouse last Friday. A formal statement is likely today.

It is hoped that the new arrangements will reduce the programme's losses, which have been worsened by the weakness of the US dollar, the currency in which commercial aircraft sales are priced. European governments have been strongly criticised by the US for subsidising Airbus.

Airbus Industrie (AI) is owned 37.9 per cent each by Aérospatiale of France and MBB of West Germany, 20 per cent by British Aerospace and 4.2 per cent by Casa of Spain. These partner companies are also the programme's main sub-contractors.

It has taken almost a year of difficult negotiations to agree on the reorganisation. Its most important features are the appointment for the first time of an AI finance director and acceptance by the member companies that competitive tendering should be introduced for Airbus work, albeit initially on a limited basis.

Mr Robert Smith, currently finance director of BAe's Royal Ordnance subsidiary, has been named finance director of Airbus. His appointment was agreed only after a struggle by Britain against opposition from the French and West German governments, who wanted their own candidates in the post.

Mr Smith is expected to play a key role in instilling firmer commercial disciplines into the programme, which has operated until now with only loose financial controls and without proper accounts.

He will have the power to compel Airbus partners to divulge financial information about their work on the programme and, in conjunction with the chairman of the Airbus supervisory board, to require them to justify their costs and margins.

However, it is understood that he will not be permitted to share information supplied by one company with any of the others, as was proposed in a report on Airbus reform submitted to governments by four "wise men" last year.

Mr Smith will join a newly created Airbus executive board. Its other members will be Mr Jean Pierson, the Frenchman who will continue as AI's managing director, Mr Heribert Flohsdorff, a German, who has been named chief operating officer, and senior executives of the four partner companies. Executive board decisions will be taken by a qualified majority vote and will require approval by Airbus companies commanding at least 80 per cent of shares in the consortium. AI's supervisory board, whose members will be reduced from 17 to five, will continue to operate by unanimity.

Airbus has also agreed, despite reservations by MBB, to revise its tendering arrangements for its next proposed model. This is a "stretched" version of its A-320 short- and medium-haul airliner, which has still to be given the go-ahead.

No change is planned in AI's corporate status as a French groupement d'intérêt économique, at least in the near term. The "wise men's" report favoured turning into a public limited company, which would take control of the partner companies' Airbus operations.

Channon under fire over leaks on Pan Am bombing

By Philip Stephens and Charles Hodgson in London

BRITAIN'S opposition Labour Party yesterday stepped up its attack on Mr Paul Channon, Transport Secretary, as Mrs Margaret Thatcher, the Prime Minister, backed his decision to refuse a new parliamentary statement on the bombing of the Pan Am aircraft over Lockerbie, Scotland, last December.

Amid angry scenes in the House of Commons, Mr Dale Campbell-Savours, Labour MP, accused Mr Channon of being responsible for leaked press reports last week suggesting that the authorities were close to identifying the terrorists responsible for the attack.

Mr Paddy Ashdown, leader of the Social and Liberal Democrats, said that it appeared from newspaper reports that Mr Channon may have been the source of off-the-record briefings last week. "That is an extremely serious allegation. It is essential that he makes a statement as soon as possible," he said.

Opposition parties were angered by the stories – subsequently denied by the Government – because they were seen as an attempt to divert attention from questions about Mr Channon's competence.

The growing political row over the issue yesterday continued as reports from West German officials suggested that Britain had been given full details of the radio-cassette bomb on the Pan Am flight some five weeks before the attack.

Mr Channon has denied being the source of last week's stories on progress in the investigation, and yesterday Mrs Thatcher was said to be fully in support of his decision not to add to his previous public statements.

Reports at Westminster suggested that the Lockerbie incident had been discussed by Mr Channon at a lunch meeting with a group of political correspondents last week. The Department of Transport repeated last night that Mr Channon had been unaware of the details of the inquiry.

A bid by Labour in the House of Commons to force an emergency debate on Mr Channon's handling of the Lockerbie bomb warnings was again rejected by Mr Bernard Weatherill, the Speaker.

Haig Simonian adds from Frankfurt: A first report about

Continued on Page 24

M1 air crash, Page 14

Elf in agreed $1.06bn bid for Pennwalt

By George Graham in Paris and Roderick Oram in New York

ELF AQUITAINE, the French state-controlled oil group, yesterday announced an agreed $1.06bn bid for Pennwalt, the US chemicals company that has been fighting a hostile approach from Centaur Partners, a group of Maryland investors.

The move represents a major international expansion for Elf, which said the acquisition of Pennwalt, headquartered in Philadelphia, would complement the business of its Atochem chemicals subsidiary.

Elf's $132 offer tops a $110-a-share offer from Centaur, which had no immediate response to the news. However, the stock market judged a higher counter bid was unlikely. Pennwalt's stock jumped $12⅞ to $129⅝, just shy of Elf's offer and a good $15 or so more than analysts judged Pennwalt to be worth.

The French group's offer is worth 34 times Pennwalt's net profits from continuing operations last year of $3.87 a share.

Centaur put Pennwalt into play last June by declaring a small stake in the company, which was established by Quaker businessmen as the Pennsylvania Salt Manufacturing Company in 1850. It has paid a dividend each year since 1863, a record for an industrial company listed on the New York Stock Exchange.

Pennwalt rejected Centaur's proposal of a friendly transaction to enhance shareholders and embarked instead on its own restructuring. It sold its drugs business to Fisons of the UK last October for $442m and sold off its scientific instrument business to five separate buyers including Alfa-Laval of Sweden. Pennwalt has not disclosed the value of the equipment sales, saying only that it was less than $500m.

Elf sees a good fit between Pennwalt's plastics range on the one hand and Atochem's polyamides on the other, as well as synergies between the two companies' fluor-based substitutes for CFCs, the propellant compounds whose use in aerosols is due to be phased out in a bid to reduce damage to the earth's ozone layer.

Geographically, Elf says Pennwalt's plants in the US, Latin America and Japan will complement Atochem's predominantly European base, especially in the field of sulphur derivatives.

Pennwalt's $1.02bn of sales in 1988 would be added to $400m a year of sales from M & T Chemicals, Elf's US speciality chemicals subsidiary, and a further $270m a year from Atochem Inc, US arm of the group's main chemicals affiliate.

Continued on Page 24

Interest rate fears keep $ firm

By Anatole Kaletsky in New York and Simon Holberton in London

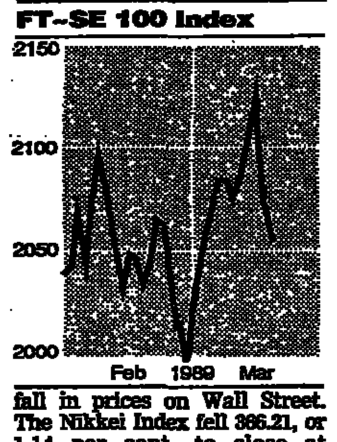
FEARS that a further round of interest rate rises might be needed to combat inflation sent equity prices in Tokyo, London and New York lower yesterday and kept the dollar firm on foreign exchanges.

The US Federal Reserve, the US central bank, and the Bank of Canada, its Canadian counterpart, intervened in North American currency markets to stem the dollar's rise against the D-Mark. The dollar was also strong against the yen.

The dollar fell quickly to the bottom of the day's range in active New York trading after the Federal Reserve was sighted buying marks at around DM 1.8780 to the dollar. The Fed's move came after nervous trading sessions in Tokyo and London had seen share prices lower, but currency trading relatively stable.

In Tokyo, stocks fell sharply in response to Friday's large

FT-SE 100 Index



fall in prices on Wall Street. The Nikkei Index fell 386.21, or 1.14 per cent, to close at 31,654.80, after trading was dominated by concerns that higher inflation in the US and Europe would lead to higher interest rates. The strength of the dollar and oil prices also fuelled concern that Japan might import inflation.

London markets remained nervous. The FT-SE 100 Share Index fell 19.5 to close at 2,053.6.

At midsession in New York, the Dow Jones Industrial Average was 34.46 down at 2,256.68 amid pessimism over the direction of interest rates.

The Fed's currency market intervention came shortly after money market operations which the markets saw as a signal for stable, rather than higher interest rates, at least in the absence of another inflation shock from today's consumer price figures. The US bond market responded by recouping most of earlier losses.

The White House suggested that inflation fears were overblown.

Editorial comment, Page 22; Markets, Section II

Trump seeks lower price for shuttle

By Anatole Kaletsky in New York

MR Donald Trump, the flamboyant New York property developer and corporate raider, yesterday delivered the biggest blow to date against the controversial anti-union strategy being pursued by Mr Frank Lorenzo, the chairman of Texas Air and its strikebound subsidiary, Eastern Air Lines.

Mr Trump, who had agreed last year to purchase Eastern's New York to Washington and Boston shuttle operations for $365m, told Mr Lorenzo in a letter delivered yesterday that he would now require "a major price reduction" to go ahead with the deal. The expected cash infusion from the shuttle sale had been a key component in Mr Lorenzo's plans for Eastern's financial survival during the protracted bankruptcy process which started almost two weeks ago, after the pilots' and machinists' walkout.

Another problem for Mr Lorenzo arose a few minutes after the Trump announcement, when the flight attendants union at Continental Airlines, Texas Air's predominantly non-unionised susbidiary, began a strike for higher wages. The union numbers fewer than 5 per cent of Continental's flight attendants and there were no reports of any service disruptions, but the strike could only aggravate the financial pressure on the Texas Air group. The company's shares plunged by almost ten per cent, from $12⅞ to $11⅝ in heavy trading on Wall Street yesterday morning.

Without the shuttle proceeds, Eastern may find itself

Continued on Page 24

EC and Efta ministers to hold formal talks on closer relations

By David Buchan in Brussels

DIVISIONS emerged yesterday within both the European Community and the European Free Trade Association over how far budding special relationship between Western Europe's two trading blocs should go.

Despite these internal differences in each camp, foreign and trade ministers of the 18 states agreed to intensify discussions on new forms and areas of co-operation, with a formal meeting in the second half of this year.

Ministers expressed themselves pleasantly surprised by the rapid turn of events so far, with Efta leaders last week calling for "common decision-making" with the EC in response to the institutional challenge issued only two months earlier by Mr Jacques Delors, the Commission President, about the Community's future relationship to its largest trading partner.

Mr Thorvald Stoltenberg, Foreign Minister of Norway, which is Efta's current president, hailed yesterday's meeting as showing the 12 EC and 6 Efta countries "on the right track, on the same train and moving at a fairly good pace." Others, however, appeared to feel it would be faster to travel alone.

Austria emerged as the chief dissident in the Efta camp. Dr Alois Mock, its Foreign Minister, said after the meeting that "though some problems could be solved, I don't see a global resolution of EC-Efta relations being realised by this process" of multilateral negotiations. It was, he said, "no alternative to our bilateral approach which envisages membership of the EC."

West Germany took its EC partners somewhat aback by suggesting that Efta representatives might soon sit in as observers on certain EC Council meetings. "Over the longer term one could imagine joint decision-making in certain cases," said Mrs Irmgard Adam-Schwaetzer, the junior German Foreign Minister.

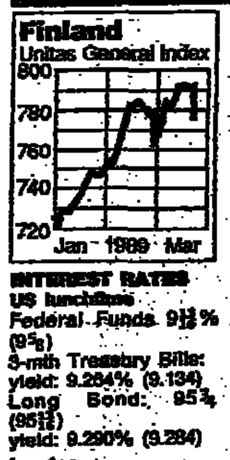
Sir Geoffrey Howe, the UK Foreign Secretary, said that as a former Efta member, the UK had always been a strong supporter of closer EC-Efta ties.

As yet there is no common EC Council position on the new approach to Efta. The Delors initiative, which was not even discussed by the full Commission before its president made it public in January, has had more examination in Efta than in the EC. This paradox was noted yesterday by Mr Rene Felber, Foreign Minister of Switzerland, which made clear its disinclination towards any rapid EC-Efta institutional change. Mr Jean-Pascal Delamuraz, the Swiss President who also attended yesterday's meeting, said EC membership would be incompatible "with the policy, if not the law" governing Swiss neutrality.

MARKETS

Finland

Unitas General Index



INTEREST RATES

US lunchtime
Federal Funds 9$\frac{13}{16}$% (9⅝)
3-mth Treasury Bills: yield: 9.284% (9.134)
Long Bond: 95¾ (95$\frac{11}{16}$)
yield: 9.290% (9.284)

London
3-month Interbank: close 13$\frac{1}{32}$% (same)

STERLING

New York lunchtime
$1.7175 (1.7130)

London:
$1.7105 (1.7135)
DM3.2075 (3.2150)
FFr10.8575 (10.8850)
SFr2.7625 (2.7700)
Y225.25 (225.50)

DOLLAR

New York lunchtime
DM1.8710 (1.87625)
FFr6.3355 (6.355)
SFr1.6115 (1.61775)
Y131.525 (131.675)

London:
DM1.8750 (1.8760)
FFr6.3475 (6.3525)
SFr1.6155 (1.6165)
Y131.70 (131.60)

GOLD

New York latest
Comex April
$397.2 (395.0)

STOCK INDICES

New York lunchtime
Dow Jones Ind. Av.
2,264.11 (-28.03)
S&P Comp
288.87 (-3.82)

London:
FT-SE 100
2,053.6 (-19.5)
World:
141.32 (Fri)

Tokyo
Nikkei Ave
31,654.80 (-386.21)

Frankfurt
Commerzbank
1,628.5 (-31.7)

OIL

Brent 15-day (Argus)
$18.70 (-0.10) (April)
West Tex Crude
$19.275 (same) (May)

CONTENTS

Social engineering underway among the North Koreans

Kim-Il-Sung (left) heads a regime which is mistrusted by three-quarters of the population. His portrait is hung in every person's house, together with that of his son and heir. This has bred resentment, corruption and passivity. Page 4

Sakharov calls on Science Academy to scrap poll list

By James Blitz

DR ANDREI SAKHAROV, the Soviet human rights campaigner, yesterday told a convention of the soviet Academy of Sciences that its election of representatives to the Congress of People's Deputies was totally undemocratic, and that it should start again with a new list of contenders.

"We must carry out what I would call a surgical operation," he said. "I believe it is up to us to hold new elections."

Dr Sakharov was addressing an often noisy and confused meeting of more than 1,000 Academicians, who have assembled in Moscow to elect delegates to the seats reserved for the Academy in the new Soviet Congress.

Many Academicians are furious that Dr Sakharov's name, and those of several other leading scientists, are not on the final list of 23 candidates from which 20 delegates to the Congress must be elected.

"The election process has caused huge indignation, not because Sakharov was never nominated, but because it ignored the will of this institution," Dr Sakharov said.

As soon as yesterday's conference opened in Moscow's Palace of Youth, several delegates began heckling the platform, demanding to know why the Academy's electoral commission had omitted Dr Sakharov from the list.

He was supported by speeches from several Academicians. One young scientist said: "When I discovered that one of the most distinguished members of the society was not on the list, I was shocked."

Another declared: "We have to remember that Sakharov first spoke the word perestroika 20 years ago."

Several speeches were given in favour of the electoral commission which had vetted the candidates. But whenever a speaker called for a new slate of candidates to be drawn up, more than half the hall applauded.

Despite the protests, the Academy's praesidium made no move yesterday to annul the elections. Dr Sakharov's supporters are calling on Academicians to strike out all the names on the ballot paper when they vote tomorrow.

The hope is that if enough candidates secure less than 50 per cent of the Academy's support, their names will have to be replaced on the list by new ones.

Georgia tries to damp down a burning issue

Nationalism is the campaign issue that dare not speak its name, writes James Blitz

IN THE opinion of Mr Eldar Shengelaia, first secretary of the Georgian Film Makers' Union, "all film-directors are revolutionaries." He more or less conforms to his own rule. Despite his membership of the Georgian Communist Party central committee, Mr Shengelaia is one of the few election candidates from the republic who has openly declared his commitment to radical change.

Today, the members of the Soviet Congress of Film-Makers meets in Moscow to consider him and 16 other candidates for the 10 seats they have been allocated in the Congress of People's Deputies, for which nationwide elections are to be held on Sunday.

Mr Shengelaia's demands are as follows: a multi-party system for the Soviet Union, wide-ranging private enterprise and "independence" for Georgia. Asked whether "independence" means a Georgian army and currency, he nods, adding: "I also want recognition of Georgia by the UN."

But this is a party central committee man talking, and the party in Georgia is determined to avoid espousing full-blooded nationalism. So there must be a catch. There is: the bit about Georgian independence is for the consumption only of FT readers, not Georgians or film-makers.

He does not include it in his election platform, he says, because "it is a huge political demand which must be advocated slowly." For that, read: "A Georgian nationalist ticket will never get me elected by the film-makers in the other 14 Soviet republics."

Mr Shengelaia is one of two Georgian candidates known to favour substantially greater independence for the republic. The other is Mr Aki Bakhradze, the one man in the republic supported both by many people in the local party and by all of the grudgingly tolerated "unofficial groups" committed to nationalism.

Georgians will never know of Mr Bakhradze's plans for reform, either. His platform has never been published in the republic.

Soviet Elections

In a large, dark flat in the centre of Tbilisi, Prof Nodur Natadze, a member of National Front dissident group, describes a recent meeting at which candidates were vetted. It is familiar story: "Half of the selection committee (were) a proper cross-section of factory collectives in the region, and the other half were a group of party appointees." The latter were briefed to choose three reliable candidates and easily swayed the meeting.

So, on offer to the Georgian electorate on March 26 are the likes of Mr Grigor Tkemaladze standing for seat No 192: "We need more housing and more social and cultural establishments," he declares in the local party newspaper.

Or Ms Tamara Mnatobishvili, a vineyard worker: "We must re-examine the low purchase price of grapes."

Indeed, dissidents say that standing against the popular Mr Bakhradze is an aircraft factory director whose campaign promises to "put whistles back on kitchen kettles."

The live issue of Georgian nationalism has not featured in the campaign at all.

A better guide to what is really going on may lie in the fact that 200,000 took part in a nationalist demonstration in Tbilisi in November, 15,000 last month (with several hundred arrests, dissidents claim) and 2,000 at the weekend.

The issue now for the Georgian party is whether it can channel the currents of nationalism into the formal political debate from which it has been conspicuously so absent.

EC may spread nets in quota-hopping row

By Tim Dickson in Brussels

THE European Commission is thinking of widening its legal net to catch member-states other than Britain it believes are unfairly making nationality a condition for fishing vessels flying their flag.

Officials in Brussels admit the latest moves could escalate the row over UK legislation to stop "quota hopping" – the practice of fishermen from other Community countries taking advantage of national quotas allocated to Britain under the Common Fisheries Policy.

The Commission confirmed yesterday it was sending a formal letter to the UK authorities, pointing out that provisions of the UK's Merchant Shipping Act requiring vessels entered on a new register to be 75 per cent British-owned are contrary to several Articles of the Treaty of Rome.

This is the second stage of a procedure that could end with a judgment in the European Court.

As Commission officials are aware, the UK's new rules only reflect restrictions long common practice in most other member-states. The legal advice in Brussels is that legislation in other EC countries also contravenes EC law.

A final decision may be complicated by the fact that complaints have only been made against the UK's nationality restrictions and that only in this case is there clear evidence of financial loss to those who will be excluded under the new rules.

Socialists triumph in French polls

By George Graham in Paris

FRANCE'S Socialist Government, and its Prime Minister, Mr Michel Rocard, have emerged from Sunday's second and final round of municipal voting in triumphant mood.

The campaign had been fought largely on local issues. Elderly mayors who tried to hold on to their tricolour sashes for too long were ejected, whether on the right, like Mr Francisque Collomb in Lyon and Mr Michel Debré in Amboise, or on the left, like Mr René Lamps in Amiens.

Party machines which tried to impose their will on local candidates were snubbed. Yet the Socialists' showing overall was unexpectedly strong: they emerged with control of 132 towns with over 20,000 inhabitants, 21 more than in 1983.

Even the right-wing parties, which themselves won control of some large cities, yesterday acknowledged that the day had belonged to the Socialists.

Both Mr Valéry Giscard d'Estaing, the leader of the centre-right UDF group, and Mr Jacques Chirac, leader of the neo-Gaullist RPR party, drew the lesson that the right-wing parties must unite their forces.

The two groups are still far from unanimity, however, on the question of presenting a combined list of candidates in the European Parliament elections in three months time.

Both the far-right National Front and the ecologists can now look forward to strong representation in the Strasbourg assembly, thanks in part to the proportional representation system that will be used.

On Sunday, the ecologists saw their score slip in the "green" stronghold of Alsace, but in Brittany, their success in the first round appears to have brought sympathisers out of the closet; they topped 20 per cent in three Breton cities.

For the National Front, the message of the elections is more mitigated. The party's nationwide score did not reach its highest ever levels, and its leader Mr Jean-Marie Le Pen failed to win a seat on the Paris council, but its representation in several large city councils was consolidated.

More importantly, perhaps, the damage the National Front did to the orthodox right (costing it victory in cities like Avignon, Aix-en-Provence and Tourcoing) will deepen the division between those in the RPR and UDF who favour wooing Le Pen voters, and those who want no truck.

The advantage has now shifted to the "no truck" group, led by Mr Michel Noir, fresh from his triumph at Lyons, and backed by the successes of Mr Philippe Seguin at Epinal and Mr Alain Carignon at Grenoble. This new generation creates a challenge to the party's entrenched leadership.

While Mr Chirac emerges strengthened from the municipal elections, these new figures could in time question whether he should get a third chance as presidential candidate.

Among the Socialists, too, the voting may signal a shift in the balance of power. Among the winners on Sunday were supporters of the more social-democratic line of Mr Rocard, such as Mrs Catherine Trautmann in Strasbourg.

The traditional electoral alliance with the Communists, however, was weakened, both by the bitterness of the relationship, and by the demonstration that the Socialists could win without the Communists.

The Communists found it harder to win without the Socialists. They lost 15 towns of over 20,000 inhabitants, winning back only one.

If the Socialists have solved their problem with the Communists, the right has not yet solved its problem with the National Front. What remains to be seen is whether the rise of the ecologists will end up by damaging the left, and so restore the balance between the two sides.

Call to boost European transport links

By Tim Dickson in Brussels

THE EUROPEAN Round Table of leading industrialists yesterday called for urgent action to improve and expand Europe's "overburdened" transport infrastructure in the run-up to 1992.

In a report presented in Brussels by Mr Umberto Agnelli, the chairman of the working group responsible for the study, the Round Table urges the European Community to play a bigger role in co-ordinating the efforts of national governments, and suggests the private sector should participate more extensively.

"Our starting point is the belief that better international transport links are essential for effective market integration and that efficient communication in business is a key factor in fostering a unified European market," Mr Agnelli explained.

The Round Table was concerned about the inefficiency of "single mode" transportation, the greater inefficiency of rail than road freight, the difficulties of developing a "proper role" for regional air transport, and the inadequacy of the decision-making process required for large and complex infrastructures.

Mr Agnelli noted that according to data presented by the European Conference of Transport Ministers between 1975 and 1985, traffic had increased by 25 per cent while investment in infrastructures had fallen from 1.5 per cent to 0.9 per cent of GNP over the period.

The report recommends that the European Commission should have the capacity to provide "innovative solutions" in problem areas, and that the private sector's entrepreneurial skills and know-how should be better harnessed.

It also recommends that a new Agency be set up to act as a resource for all European countries, and that there is scope for an independent European institute to develop and distribute European infrastructure information.

● Ireland recorded the highest growth in the number of airline passengers flying to and from its airports in 1988, according to new figures from the Association of European Airlines.

Passenger numbers through totalled 3m. or 18.5 per cent more than in 1987, with Italy, Spain, Scandinavia, Belgium, Portugal, Turkey, France and Finland doing better than the 7.9 per cent average of the 16 AEA members.

The "top three" countries in terms of overall volume last year were again the UK (19.9m passengers), West Germany (14.1m.) and France (12.9m.).

Genoa holds out against Italian dock work deal

By John Wyles in Rome

ALL ITALIAN ports were working normally yesterday with the exception of Genoa following an agreement between Government and unions which largely preserves the aim of eliminating the monopoly of dock work by the dockers' companies.

Predictably, however, the agreement has been rejected by the two ports where this monopoly is purest – Genoa and Livorno.

Dockers at Genoa have voted to continue for a further week their partial strike which provides for just one shift per day and the loading and unloading of perishable goods.

Livorno's 1,400 dockers are continuing to work normally while joining Genoa in a demand for local negotiations which increasingly looks like an attempt to save face. However, their bargaining power could be strengthened if the main dockers' union, the CGIL, comes in behind the demand.

The CGIL has appended a "technical" signature to the agreement with Mr Giovanni Prandini, the Minister for Merchant Marine, pending a consultation with its rank and file.

His deal with the unions makes few concessions on the law presently in Parliament which seeks to remove all "reserved" work for the dockers' companies by 1992.

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EUROPEAN NEWS

Demand forces investment pace in W Germany

By Andrew Fisher in Frankfurt

WEST GERMAN companies, whose profits have doubled in the past seven years, are expected to speed up the pace of new investment to keep up with rising foreign and home demand and also to offset shortages of skilled labour, the Bundesbank says in its monthly report.

The central bank estimates that companies spent around DM95bn (£30bn) on machinery and equipment in the second half of last year, a seasonally adjusted 3.5 per cent rise on the first six months. This was 10 per cent up on the second half of 1987.

This rate of investment growth was the highest since the first half of 1985. Mainly responsible for the surge in corporate spending was the manufacturing sector, which has experienced a sharp rise in foreign demand. The bank says companies also invested DM41bn in new buildings in the second half of 1988, a 4.5 per cent increase on the same period of 1987.

The figures confirm the impression of a still buoyant economy given by recent statistics and economists' forecasts. However, the Bundesbank also points out that raw material and wage costs are rising faster, thus underlining its concern about inflation.

Because of buoyant demand, companies have been able to raise prices more than before. The Bundesbank says demand for manufacturing goods remained lively at the start of 1989, with orders showing a seasonally adjusted 1 per cent gain in January over the average of October-December.

Against January, 1988, orders were up by a real 13 per cent, though the world economic scene was then shaky after the October stock market crash. Domestic business was the main force behind the latest jump in orders, with the mechanical engineering, electrical and electronic, and motor sectors all benefitting

Commenting on rising profits, the Bundesbank says these accounted for 26.5 per cent of the national income. Since their previous low in the first half of 1981, profits have doubled. In the second half of last year, they were 2 per cent above the high level of the first six months and 9 per cent over the same period of the previous year.

But rising costs have prevented any further rise in profit margins after the first half improvement. A sharp rise in raw material prices has been exacerbated by the D-Mark's weakness against the dollar. Thus import prices rose sharply, the level in the second half exceeding that of the first by a seasonally adjusted 4 per cent.

Wages and salaries also moved up more rapidly in the second half of 1988. The strong demand for goods led to more overtime, partly also to offset the effect of shorter regular working hours. Many companies paid more than the going rate, a trend influenced by the shortage of skilled workers.

A strong rise in productivity, however, has to be set against the acceleration of hourly payments. But the Bundesbank says this has slowed down since the end of the year.

● Mr Gerhard Stoltenberg, the West German Finance Minister, says inflation may rise slightly above current forecasts of 2.5 per cent for the year, Reuter reports.

In an interview to appear in Die Welt newspaper today, he said the cost of living would rise by 2.5 per cent "or perhaps slightly more". He also said he expected economic growth of 2.5 per cent this year.

Boom takes W German mechanical engineers by surprise

The industry's mood has swung from gloom to optimism in less than a year, writes Andrew Fisher

IN LESS than a year, the mood in West Germany's mechanical engineering industry, the country's biggest employer and exporter, has swung from gloom to optimism. Exports, especially within the European Community, have shot ahead, order books are bulging, and many companies are stretched to capacity limits.

Early in 1988, things looked very different. "We thought the fall in the dollar and the stock market crash would leave skid marks," says Mr Herbert Kriegbaum, head of research at the German Mechanical Engineering Industry Association (VDMA). Thus it forecast a slight drop in output, as well as a sharp rise in Japanese imports.

Yet, instead of lurching backwards, the industry found the going fairly smooth. Production (including computers and office equipment) moved up by between 3 and 4 per cent, with the best-performing sectors of this highly variegated industry doing much better. "Never in the past 15 years have our forecasts been so wrong," says Mr Kriegbaum.

Further output gains of up to 5 per cent, are expected this year, with continued expansion in 1990. As for the Japanese, their exports to West Germany picked up sharply in the final few months after a slow start for an overall 9 per cent gain.

"The Japanese are one of our most potent competitors," notes Mr Kriegbaum. Outpacing Japan in speed of growth, however, were the dynamic smaller Asian economies of Taiwan, Singapore, Hong Kong, and South Korea, whose joint total exports to West Germany shot up by nearly 40 per cent, the bulk of this in computers and office equipment rather than machinery.

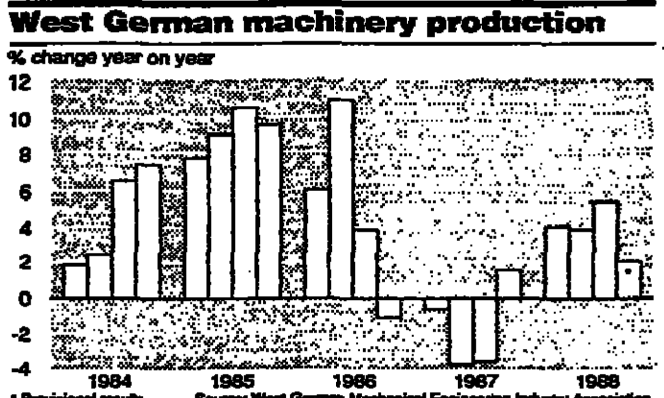
Japanese companies, less specialised than the West German, are still heavily oriented towards the US. Still, as 1992 and the unified European market approaches, Japan is likely to try to build up manufacturing and distribution facilities in Europe. For the moment, though, West German manufacturers tend to regard the small, flexible Italian companies as greater competition.

A stronger Japanese presence in the EC would clearly pose a sharp competitive challenge to West German concerns. But the EC is now mostly bringing benefits to the West German mechanical engineering industry, some 60 per cent of whose turnover stems from abroad.

Ahead of the true common market, manufacturers in Europe are striving to re-equip themselves for what they see as the increased opportunities which will develop from the removal of trade barriers.

West German machinery production

% change year on year



* Provisional results Source: West German Mechanical Engineering Industry Association

Thus West German industry is able to profit from its basic skills in making things, delivering them punctually, and servicing them reliably.

VDMA figures show an 8 per cent rise to nearly DM102bn (£32bn) in the industry's exports last year, the main impulses coming from France, Britain, Italy, the Netherlands and Switzerland. Although the US was the second biggest customer, behind France, sales here were slightly down.

The West German industry supplies about 30 per cent of the total EC market for machinery and plant of some DM380bn, twice as much as the UK, in second place. Thus West German machinery companies are ideally placed to meet surging demand for capital goods.

But this demand is by no means evenly spread. Among the best placed sectors are machine tools, construction equipment, and machinery for the printing and paper, textile, food, plastics, rubber, and wood processing industries.

Among large West German companies to have profited from the rise in overall orders are MAN, Mannesmann, Thyssen, and Linde. A host of less well-known companies – the industry is characterised by its spread of small- and medium-sized family concerns – have also seen order books swell.

Altogether, VDMA figures show that new orders rose by a real 13 per cent in 1988, with a 6 per cent increase in domestic business and an 18 per cent jump from abroad.

With an average capacity utilisation rate of nearly 90 per cent and order books stretching at least six months ahead, the industry is clearly set for another favourable year.

Nor is it only the EC which is setting the pace, though this is where the bulk of the exports go. West German exports to the Soviet Union soared by 55 per cent in the January-September period.

Another jump is seen likely in 1989, as the Soviet Union continues to seek West German expertise and equipment to improve its consumer and industrial products. China, however, concerned about taking on too much debt, has proved disappointing.

So far, the rise in new business has not been translated into a increase in jobs. But Mr Kriegbaum reckons that 5 per cent more production could lead to 2 per cent more employment; the industry employs just over 1m people.

Much of the new investment, though, both inside and outside the industry, is aimed at increasing automation rather than jobs. Moreover, several companies have trouble finding enough skilled workers.

What of the outlook beyond the present boom, patchy though it is? Mr Hans-Günther Vieweg, an economist with the IFO research institute, reckons parts of the industry are vulnerable in several ways, both to technological advances elsewhere (such as development of ceramic materials in Japan) and changes in customer industries (such as a slowdown in building activity once large European tunnel and rail projects are completed).

He cites the current strength of the smelter and rolling mill construction sector. Orders here have shot ahead as the steel industry has recovered and modernised. But long-term prospects are not so buoyant. "This is typical for German mechanical engineering. We are strong where the growth is not very powerful."

In Mr Vieweg's opinion, West German companies often lack the truly strategic view taken by, say, the Japanese. Thus, while many companies may be enjoying boom times now, their lead could be substantially eroded by the end of the century, especially in sectors subject to rapid technological development or simply to declining demand.

For the moment, though, the mechanical engineering industry, which makes up 18 per cent of West Germany's exports, is helping the country notch up record trade figures and impressive economic growth.

OECD urges less state intervention

By George Graham in Paris

THE ORGANISATION for Economic Co-operation and Development (OECD) has called on member countries to press on with the process of structural adjustment, freeing rigidities in their labour markets and their financial systems, and progressively reducing the role of the state sector.

In a lengthy report published yesterday, OECD economists draw the lessons from around 80 specific studies of structural rigidities in individual member countries.

They conclude that even in countries reputed to have the strongest interventionist tradition, the message has sunk in that governments are not necessarily best placed to solve market imperfections.

The report* also argues for the need to challenge monopoly positions, both in industry and labour markets. It points to New Zealand as an example of a systematic attempt to introduce more competition in a wide range of co-ordinated micro-economic policy actions.

Measurement of how well a country has done in attacking its structural rigidities is not easy, the report warns, noting that structural indicators can be ambiguous, both statistically and in their interpretation.

For example, countries with a high degree of centralised wage bargaining, such as Austria and Sweden, performed as well as the most decentralised countries, such as the US and Japan, in controlling unemployment over the past 15 years.

The countries which fared worst, the study shows, were those with an intermediate degree of centralisation, such as Britain, France and the Netherlands.

Mr Hartmut Fest, co-ordinator of the study, said that the OECD area would probably not have seen the past two years of buoyant, non-inflationary demand growth without the reforms carried out in the early 1980s. These had tackled areas like tax reform, as well as reducing rigidity in labour markets in countries such as Spain, where previously it was virtually impossible to lay off workers, or Britain, with its assault on the trade unions.

"Very few countries have emulated the adversarial approach of the UK," Mr Fest said yesterday.

"There are speed limits on how fast you can go within a given economy while maintaining the consensus," he added, noting that the New Zealand experiment had in the end cost the minister responsible for the programme his position.

* *Economies in transition – structural adjustment in OECD countries; OECD Publications, 2 rue André Pascal, 75775 Paris Cedex 16, FFr180.*

Policy clash in Polish farm union

By Christopher Bobinski in Warsaw

A FRACTIOUS, at times chaotic and often heated national congress last weekend saw the return to Poland's political stage of Farmers' Solidarity, the independent rural movement banned in 1981.

But the meeting of some 450 delegates in Warsaw was marked by political tensions within the leadership which augur ill for the future.

Farmers' Solidarity has won official promises that it will be legalised, and a formal congress with leadership elections is planned for December.

By the end of the meeting, an uneasy peace had been established between supporters of Mr Josef Slisz, a 54-year-old farmer from Rzeszow who heads the movement, and his challenger Mr Gabriel Janowski, a 41-year-old market gardener from Warsaw.

Mr Janowski is more amenable to policies which would in effect concentrate the land in the hands of better-off farmers, making farming more efficient. Mr Slisz, who saw his position strengthened, is wary of letting market mechanisms play too great a role, and of threats to smallholders' livelihoods.

Nevertheless the congress approved a policy commitment to the liberalisation of food prices, with the rider that minimum state-guaranteed prices for suppliers and price controls on agricultural machinery be retained for as long as state monopolies remain in place.

In the current round-table talks with the Government, farmers' delegates — to the horror of Solidarity negotiators who want to keep price rises as low as possible — have given cautious approval to liberalising the farming sector.

Cyprus peace talks resume

By Andriana Ierodiaconou in Nicosia

UNITED NATIONS-sponsored Cyprus peace talks continued as scheduled in Nicosia yesterday, following the release by the Turkish Cypriot authorities on Sunday night of a group of Greek Cypriot women protestors arrested earlier in the day in Turkish-occupied territory.

"On Saturday I was not sure we would be having a meeting on Monday," Mr George Vassiliou, the Cyprus President, said yesterday following negotiations with Mr Rauf Denktash, the Turkish Cypriot leader.

The 53 people arrested were taking part in a 3,000-strong women's march to two disused Greek Orthodox churches just inside the occupied zone, to protest against Turkey's continued military presence in northern Cyprus.

Two further meetings between the two men are scheduled for this week.

Peres hints at end to coalition

By Eric Silver in Jerusalem

MR SHIMON Peres, Israel's deputy Prime Minister, hinted yesterday that his Labour Party would break up the national unity coalition before the end of the year if the Government did not adopt a credible peace policy.

He told an international Jewish solidarity conference in Jerusalem: "In the coming months we shall have to make up our minds. If we can find a joint solution, fine. If not, we shall have to make an historic choice."

Under the coalition agreement signed in December, the two main parties agreed that if they could no longer work together they would dissolve the Knesset and fight a new election. This was evidently what Mr Peres had in mind, though he could by no means be certain of victory.

The Labour leader has undertaken not to present his own peace plan until after Mr Yitzhak Shamir, the right-wing Likud Prime Minister, has visited Washington next month. Mr Shamir yesterday promised the Jewish conference that he would take new ideas, but he reiterated that he would never negotiate with the Palestine Liberation Organisation and would not countenance a Palestinian state in the occupied West Bank and Gaza Strip.

Pressure on the Prime Minister to moderate his position has been reinforced by an intelligence assessment, presented to the Cabinet and leaked yesterday to the Hebrew press, that there could be no dialogue with the Palestinians without the PLO. The report argued that the PLO had made significant changes. It added that the uprising in the occupied territories would continue until there were signs of a political solution.

The nearest Mr Peres would go yesterday to spelling out his ideas was to talk of a Middle Eastern Benelux. Some of his listeners took this to mean a loose confederation of Israel, Jordan and Palestine, which would have to entail self-determination for the Palestinians.

The Labour leader did not endorse a proposal for direct negotiations with the PLO launched at the weekend by Mr Yossi Beilin, his deputy Finance Minister, whose views do, however, reflect a growing body of opinion among Labour MPs.

"Conditions must be put to the PLO, the most important of which is the cessation of violence," Mr Beilin said. "On the basis of these conditions, direct negotiations with the PLO must be launched. This move should not depend on the position of the Likud. If the Likud joins in, so much the better. If not, the move must be made without it."

A majority of the overseas delegates to the solidarity conference, who were determined not to be cast as a rubber stamp for Mr Shamir's policy, favoured this approach.

One of them, Dr Lionel Kopelowitz, president of the Board of Deputies of British Jews, deplored Mr Shamir's use of the word "never" when asked to talk to the PLO. Dr Kopelowitz said Israel should be specifying what criteria the PLO would have to fulfil as a condition for such talks.

Mubarak urges Israel to join Mideast peace drive

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt, buoyed by celebrations over the return of the tiny Red Sea enclave of Taba, yesterday appealed to Israel to put aside its fears and suspicions and engage constructively in a Middle East peace drive.

Mr Mubarak, seeking to capitalise both internationally and domestically on the satisfactory conclusion to his country's long-standing dispute with Israel on the Taba issue, said it was in Israel's interest to "prepare itself to participate in an international conference."

He urged Israel to seek an end to the violence in the occupied West Bank and Gaza Strip and accused it of dragging its feet over peace. "Violence can only breed more violence, hatred and bitterness, " he said.

Egyptian officials believe that the resolution of the Taba issue through negotiations should stand as something of an example for both Arabs and Jews of what can be achieved by peaceful means.

Mr Mubarak, in an address to the Egyptian parliament broadcast live, called on the US to "reactivate" its Middle East peacemaking role at a time of growing co-operation between the superpowers. Egypt's leader, who will visit Washington soon for talks with President Bush, made it clear he would press the US hard to drop its misgivings about becoming more involved in the search for peace.

Mr Mubarak was speaking less than a week after the Egyptian flag was raised over a 700-metre sliver of beachfront land on the Gulf of Aqaba.

The Taba enclave was retained by Israel after it returned the rest of the Sinai to Egypt in 1982 under the terms of their 1979 peace treaty.

Jets bomb base of radical Palestinians in Lebanon

By Eric Silver

ISRAELI Air Force jets yesterday bombed a base of Ahmed Jibril's radical Popular Front for the Liberation of Palestine-General Command in north-eastern Lebanon, six miles from the Syrian border.

A military spokesman said all the aircraft returned safely from this unusually deep-penetration raid. Abu Ibrahim, a local commander of the Jibril group, reported that 15 bodies had been recovered. Other victims, including civilians, were still thought to be buried under the rubble. According to Lebanese accounts, the bombs hit two guerrilla installations – a military vehicle repair shop and a single-storey administrative block – as well as a private house in the village of Dalhamieh in the Beqaa valley.

Observers in Jerusalem interpreted the air strike as Israel's retaliation for the recent spate of infiltration attempts by Palestinians, which culminated last week-end in the death of an Israeli sergeant, ambushed while patrolling the Jordanian border.

The attacks have been carried out by Palestinians opposed to PLO leader Mr Yasser Arafat's peace drive.

● Artillery duels between Lebanese Christian and Moslem forces spread yesterday to the hills surrounding Beirut. Police said at least three people were killed and nine wounded in the shelling, the fiercest since fighting erupted across the Green Line in the capital a week ago.

The clashes pitted predominantly Christian units of Gen Michel Aoun, the army commander, who heads one of two cabinets claiming authority in Lebanon, against Syrian-backed Druze fighters of Mr Walid Jumblatt's Progressive Socialist Party militia.

Referendum delay eases S Korean tensions

By Maggie Ford in Seoul

THE tense political situation in South Korea was yesterday temporarily relaxed when President Roh Tae Woo announced that a referendum on his rule was to be postponed indefinitely.

Mr Roh said in a surprise televised speech that the controversy over the vote, promised in his 1987 election campaign, had raised the possibility of undesirable confrontation between extremist forces.

For the last month, hardliners in his ruling Democratic Justice Party, along with elements of the Opposition, have demanded that a referendum be held. Last week a senior hardline Cabinet Minister resigned, in a rebuff to the President, over what he described as the rise in radical leftism in South Korea.

The President's reassertion of control over the party boosted the position of the moderate, reforming faction at the expense of isolating the hardliners.

The Korea Stock Exchange, initially concerned about the announcement, later boomed, with the index passing the 1,000 mark for the first time. It closed lower after profit taking.

All three Opposition parties welcomed the President's decision to call off the referendum and urged the ruling party to focus its efforts on clearing up the wrongdoings of the regime led by Mr Chun Doo Hwan, Mr Roh's predecessor.

Mr Kim Young Sam claimed credit for the decision because of the pressure his party had applied.

Ruling party spokesman said yesterday that they planned to have early meetings with the Opposition to discuss the finalisation of the probe into the misdeeds of the former Government, along with plans to hold regional elections.

A man with a passion for Africa's problems

Barry D Wood profiles the World Bank's point man for Africa whose guiding philosophy is that adjustment is an ally of the poor

ONE OF Mr Kim Jaycox's confidants at the World Bank recalled that it was during a 1985 visit to Dar es Salaam that the tall, intense, red whiskered American won over Julius Nyerere.

The Tanzanian leader had been a harsh critic of the bank's new emphasis on structural lending. "It was," said the African official, "Jaycox's humility that impressed Nyerere." He was unused to a World Bank Official being a good listener. He was impressed by Mr Jaycox saying, "I'm your employee. I'm here to learn. There are no prescriptions in my brief case. Develop your plan and we'll do what we can to help."

It is, said another African, Mr Jaycox's passion for Africa that has won him unprecedented trust and confidence.

Mr Edward V. K. Jaycox was already hooked on Africa in 1964 when he capped his graduate studies at Columbia with a summer long hitch-hiking trip through North and East Africa. Joining the World Bank a year later, he has spent all but four of the ensuing 24 years working on Africa's problems. He became a regional vice-president in 1984, and three years later, the bank's sole vice-president for Africa.

Promoted by former and present presidents Mr A. W. Clausen and chief Mr Barber Conable, the 51-year-old Mr Jaycox is the point man for Africa in an institution that is its biggest creditor and donor.

Viewed inside the bank as charismatic, committed and aggressive, Mr Jaycox has attracted to the Africa region some of the institution's most highly-regarded employees.

As Africa's headlong economic decline accelerated in the 1980's, Mr Jaycox had arguably one of the most thankless jobs in Washington.

His two pronged strategy for dealing with the problem – sounding the alarm in the donor community and, simultaneously, persuading African leaders that market based policy reform was essential to arresting the decline which had pushed per capita incomes back to the levels of 1960 – has been at least partly successful.

Internally, Mr Jaycox warned that the Bank would fail if it failed in Africa. His arguments prevailed to the point that both Mr Clausen, and after 1986, Mr Conable, led a crusade for increased African aid.

It is because of Mr Jaycox's bureaucratic clout that during a time of aid constraints the bank shifted much of its long term international development association (IDA) aid to Africa and away from traditional clients in Asia. Half of all IDA credits now go to Africa and World Bank lending to Africa has doubled this decade, reaching $3bn last year.

With other donors, Mr Jaycox was in the forefront in arguing that Africa was essentially bankrupt and much of its over $100bn debt was uncollectable. With debt growing faster than Africa's capacity to service it, he and others regarded debt relief and increased concessional aid as vital to avert financial and economic collapse.

The aid appeal was matched with a campaign to convince African governments that adjustment was in their best interests. Beginning with its controversial Berg report in 1981 the Bank took the lead in identifying bloated public sectors, non-market pricing, and neglect of agriculture as reasons for Africa's post-independence economic decline.

Those themes were expanded in reports in 1984 and 1986. Desperate after the mid-decade commodity price collapse, and sobered by the failure of past policies, increasing numbers of African leaders began signing IMF and World Bank endorsed reform programmes.

Last week, Mr Jaycox's Africa region was confident enough to issue its first cautiously optimistic assessment. In "Africa's adjustment and growth in the 1980's," bank staff said living standards had begun to improve in 15 countries where adjustment had been pursued most vigourously.

The message of the report was that reform works – or as Mr Jaycox puts it: "Adjustment is an ally of the poor."

Agriculture output in reforming countries is said to be rising twice as rapidly as in non-adjusting countries. Exports are rising twice as fast in reforming countries and economic growth is three times higher.

Mr Jaycox is convinced that a competitive exchange rate is the most important adjustment tool available to policy makers. "Africa has lost 30 per cent of its (traditional) markets. When I studied economics in the 60's there were 20 products that were African products by definition. They had more than 50 per cent of the world market. Today they've lost a third of that by rigidities on the exchange rate."

Mr Jaycox said his job was to help Africa get back to where it mattered to the world economy. "Africa has to re-establish these economic links if it wants economic growth. The inter-dependence of the world is leaving Africa out. This is totally unacceptable from an economic viewpoint and for the long-run welfare of the African population," he said.

THE KOREAN DIVIDE

Comfortable Kims now worry about crime

By Maggie Ford in Seoul

THE AVERAGE Mr Kim in South Korea is 27 years old, lives in a house or flat which he owns, with his wife and child, along with a television set, a refrigerator and a telephone.

According to Social Indicators in Korea, an annual survey of social trends published by the country's Economic Planning Board, Mr Kim's life is going through a period of great change.

He earns the equivalent of $12,000 a year at his job in a manufacturing or service industry, gets drunk at least once a month, but is so exhausted from his 51-hour week that he spends most of Sunday taking a nap.

His teenage daughter does not worry much about her love life (only 10 per cent do) or even her personal appearance (6 per cent). She is overwhelmingly concerned about her education and job opportunities (68 per cent) and her parents probably expect her to go to university.

Her mother may not yet have a washing machine (26 per cent) but is almost certain to have a refrigerator (71 per cent), no doubt made in South Korea. Everybody (99 per cent) has a television.

Her food budget (35 per cent of the family income) has changed drastically over the years from mainly rice and vegetables to beef and pork.

The Kims are pleased about the new national pension scheme, which will relieve them of the duty to look after elderly parents, but they need to save for the children's education. Mrs Kim will shop around at the banks and perhaps on the stock market for the best investments, saving 30 per cent of the family income.

Although Mr Kim, like many others, is fed up with his long hours (48 per cent) and his wages (49 per cent), he gets on well with his co-workers and immediate superiors (61 per cent).

While Mr Kim rests on his day off, Mrs Kim goes to church. Like 48 per cent of the population she is a Christian, but her husband prefers to stick, along with the other 46 per cent, to the Buddhism he followed as a child.

The Kims' next big planned purchase is a car. One in 50 Koreans now has one, up from one in 2,208 in 1965 and rising rapidly.

But what the Kims really worry about, like citizens the world over, is the rising crime rate which has accompanied rising prosperity.

Economic realities, more than politics, close the divide

Robin Pauley, Asia Editor, compares the performance of two societies split by ruinous war and an ideological gulf

FORTY years ago the 1,200-year-old unified state of Korea was formally divided (three years after its de facto division at the end of the Second World War) with the proclamation of the Democratic People's Republic in the north and the Republic in the south.

The split coincidentally but neatly matched the country's resources: the north was industrialised, rich in mineral resources and agriculturally poor; the south was richer in agriculture but only lightly industrialised and had always been dependent on the northern area for electrical power and raw materials.

Both sides started their separate lives with a ruinous war from 1950 to 1953 which left them both devastated. Now there is talk of a north-south rapprochement and while reunification remains but a dream perhaps to be realised by later generations, the prospect of a closer relationship, particularly economic, may become slowly more likely.

Some officials in Seoul believe that North Korea is desperate for economic detente and that its economy may be nearly bankrupt. If this were true it would be a humiliating blow to the north whose centralised and closed communist policies would have been trounced by the increasingly liberalised and private-sector dominated south, now a leader among the newly industrialised countries.

There is no doubt that the North Korean economy, having made impressively fast progress on industrialisation (of the large-scale Soviet type) in the 1950s and 1960s, is now in dire straits, technologically backward, an international debt defaulter and hopelessly uncompetitive.

This has occurred in spite of the fact that the north had better natural resources and the south's problems were compounded in the early days by a flood of refugees from the north, with the result that the south has a population of 42m compared with 20m in the north.

Comparative economic statistics are hard to come by and usually are compiled by the south; they are therefore better used as trend guides rather than absolute indicators although they often correspond with other rare sources on North Korea from, for example, Japan, the UN and the Rome-based Food and Agriculture Organisation.

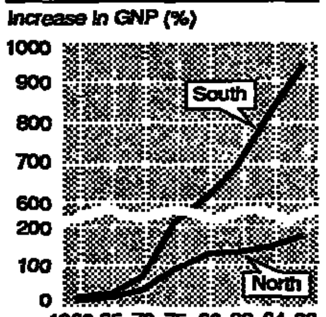
Post-war reconstruction in the south was aided principally by the US and in the north by the Soviet Union and China. The north gave top priority to developing heavy industry and the reconstruction of light industry.

In the south a series of five-year plans evolved, based on externally-directed policies of open economic development. In 1962-66 the Government played a leading role in infrastructure capital development and promoting export and import-substitute industries.

In 1967-71 the emphasis switched to upgrading industrial structures by developing the electronic and petrochemical industries. Export industries still received much weight as did attempts to increase farm incomes by maintaining artificially high rice prices. In 1972-76 heavy and chemical industries were upgraded, comprehensive land reform was attempted and rural areas were modernised.

North & South Korea

Increase in GNP (%)



Source: The Bank of Korea for the South & National Unification Board for the North

In 1977-81 technology and skilled labour-intensive industries (machinery, electronics) were stressed with considerable export success.

In 1980 the South Korean economy hit a crisis, recession being exacerbated by one of its poorest agricultural crops. The real economy contracted, inflation soared to more than 30 per cent and the balance of payments gap widened, forcing the 1982-86 plan to target stability and efficiency with top priority going to restructuring the economic system.

Since the 1980-81 crisis South Korea had largely stabilised prices and has moved rapidly - although not rapidly enough for most western countries - to liberalise its economies and reduce trade barriers. More importantly it has produced and exported high quality goods – machinery, textiles, electronic components, telecommunications equipment and clothing with a ferocious efficiency, and in the process has traded its way out of debt. By 1985 South Korea had, at $47bn, the world's fouth-largest foreign debt burden after Brazil, Argentina and Mexico. By 1987 this was down to $35bn; next year South Korea expects to be a net creditor nation, a remarkable performance of export-oriented industrial growth.

Under successive five-year plans average annual growth rates in South Korea have been 7.9 per cent (1962-66), 9.6 per cent, 9.8 per cent (1972-76), 5.8 per cent (1982-86) and about 10 per cent a year since 1986.

The north also had a series of economic plans, establishing the pattern of centralised economic planning in the first (1956-60) and then moving to 10-year plans. The command economy discarded free market competition in prices; it performed ever less well compared with the south which eventually beat it even at its own strong games. North Korea, for example, was ranked 21 as a producer of world steel by 1984; south korea was 15th with twice the volume and, crucially, a much higher and more uniform standard of output.

North Korea's economy was adversely affected by the Sino-Soviet rift in the 1960s, Pyongyang turning first against the Russians and then against the Chinese. North Korea, uniquely among the six small communist countries in Asia, managed to stay neutral of the Communist super-powers but there was a price to be paid in aid and in defence expenditure, the North moving towards an excessive military build-up, encouraged perhaps by its feeling of neutral independence and by the Cuba crisis and the Vietnam war.

This resulted in military expenditure accounting for $4.2bn or 21 per cent of the nearest approximation to GDP by 1987 in the north, perhaps the greatest single obstacle to economic development, compared with only 5 per cent of GDP ($5.9bn) in the south, lower than the world average.

The turning point against the north was clearly in the mid 1960s when lack of incentives and the prohibition of private ownership combined with poor technology to slow the economy to a crawl, made worse by the closed society's shunning of international economic co-operation and joint ventures.

Only in the 1970s, still stuck with its mainly isolationist closed economic ideology, did Pyongyang try to introduce some advanced Western technology, principally from Japan. This was a costly enterprise for a structurally weak economy resulting in mounting external indebtedness followed by default and a subsequent failure to keep apace with technology. From the mid-1960s onwards the north consistently failed to achieve its own five-year goals although in the last decade its textiles, cement, agro-chemicals and machine tools sectors have performed well.

THE TWO KOREAN ECONOMIES

	1986 South Korea	1986 North Korea	1986 S/N Ratio	1987 South Korea	1987 North Korea	1987 S/N Ratio
Population (m)	41.6	20.3	2.0	42.1	20.7	2.0
GNP ($bn)	95.3	17.4	5.5	118.6	19.4	6.1
Per capita GNP ($)	2,300	860	2.7	2,826	936	3.0
GNP growth rate (%)	12.3	2.1		12.0	3.3	
Fiscal budget ($bn)	15.7	12.7	1.2	19.5	14.1	1.4
Exports ($bn)	34.7	1.5	23.5	47.3	1.7	28.3
Imports ($bn)	31.6	2.1	15.0	41.0	2.4	17.2

Source: Economist Intelligence Unit

In terms of GDP, on a roughly equivalent basis allowing for the differences between gross national product and gross social product, the south was 33 per cent higher than the north by 1960, double by 1970, four and a half times by 1980 and five times by 1986. In per capita terms the north started well ahead and by 1960 was still 73 per cent higher than the south. The gap gradually narrowed until 1974 when the south just overtook the north. By 1980 the south was $1,589 a year, double the north's figure and by 1986 was $2,300 a year compared with $860.

North Korea's foreign debt jumped from $4.7bn in 1984 to $5.2bn at the end of 1987 and last summer the country suffered the ignominy of being declared in default. Western banks are divided over whether to forgive some of the debt in the hope of getting the rest back by 1991.

North Korea has learned like others before it, even Albania, that countries cannot both opt out of the great world trade merry-go-round and prosper. In 1987 the country had a trade deficit of $720m, its puny exports of $1.67bn lagging behind its equally puny imports of $2.39bn. About 70 per cent of the total trade volume is counter-trade with the Soviet Union and China, neither of which has the sort of of high technological skills which North Korea wants and which South Korea possesses in abundance.

North Korea's total international trade in 1987 of $4bn compares with $88bn in the south in 1987. Last year the south's total trade reached $110bn of which only $3.6bn was with socialist countries and $3.1bn of that was with China. Trade with the north was minute and Dr Han Seung-Soo, the south's trade and industry minister, is not expecting it to take off. "The important thing is that we have started," he said.

If it develops it is the North's most logical – culturally and geographically – last chance to avoid endemic disaster. Indirect trading could become as important as direct exports of coal and fish products. Travel, visits by relatives and even the cynical "sale" of detainees enabled East Germany to gain access to a useful portion of West germany's far greater prosperity in what is probably the closest comparison to the two-Koreas question.

Society ruled by a regime which mistrusts 75% of its citizens

Aidan Foster-Carter describes a passive, prudent people - victims of a massive experiment in social engineering

ANALYSING North Korean society is no easy task. Not only are there virtually no statistics ; but the picture portrayed by the regime and glimpsed by the visitor is puzzling, not to say unnerving.

As in Seoul, massive educational expansion has created near-universal literacy. Unlike in Seoul, 11 years of schooling are free – as are all other social services, including health care and an unusually comprehensive creche and kindergarten system.

While quantitatively impressive, the quality of these services seems very uneven - especially outside Pyongyang, the nation's showpiece capital. And even in Pyongyang, such modern facilities co-exist jarringly with a huge absence: there are very few shops and very little in them. Modern North Korea is emphatically not a consumer society.

Likewise, there are few cars - and even bicycles are banned as "untidy." This gives a clue to North Korea's most striking revolution: the massive social engineering project which is "Kim-Il-Sungism". All citizens wear the Leader's visage on their lapels; all must hang his portrait – and now too that of his annointed son and heir, Kim Jong Il – on their walls.

In what passes for a newspaper in Pyongyang, they read that "loyalty to the Leader...is an immaculate ideological and emotional value...the Leader is...the supreme brain...Communist revolutionaries are raised in the bosom of the Leader...and enjoy an eternal life." This is also the staple diet of TV and radio, declaimed by tremulous tenors against a musical background at once martial and marshmallow. It goes on all day, every day.

It is hard to credit that 20m North Koreans have been bamboozled, let alone brainwashed. Despite the regime's efforts to create an information quarantine, there are always loopholes. North Koreans who go abroad - whether as lumberjacks to Siberia, or to visit relatives in China who these days know all about South Korea - can see a different side. So can those who service foreign embassies in Pyongyang.

But even without such a yardstick for comparisons, everyday life in North Korea contains plenty to disillusion, or at least weary, ordinary citizens. Take work. The standard week is 48 hours. On top of that come hours of political and "study" classes. Women are especially burdened: as well as their jobs, they do all the housework. It often means rising at 4 am.

Nor is this hard slog much rewarded. Consumer goods are in persistent shortage; food is rationed, and diet is spartan. One girl in a family who defected in 1987 (North Korea's first "boat people") had legs deformed by rickets from malnutrition – and her father, Kim Man Cheul, was a doctor.

Another grievance is lack of mobility. In stark contrast to South Korea, where everyone seems to be on the move, North Koreans mostly stay put. There are no inter-city buses, and travel outside one's locality requires special permission (and time) which is rarely granted. The defecting doctor had a sister in another city; he had been unable to see her for 10 years.

Even more striking is another kind of immobility. North Korea seems to be a society of estates. Every citizen is classified into one of three groups: core, wavering, or hostile. The criteria are a mix of family background, (landlord, southern and Christian are all "bad") and perceived loyalty.

This categorisation constitutes the main determinant of life chances in North Korea. The 5m "loyals" mostly live in cities (especially Pyongyang), and hold good jobs and party positions. At the other extreme, the 4m "hostiles" do hard labour in remote rural and provincial settings. That leaves fully half the population (more than 10m) in between as "waverers" – not wholly reliable in the regime's eyes. These are the lower echelons, mostly confined to the provinces and working as labourers and technicians for little money and tight rations.

All this gives the lie to official claims of "ideological monochromaticity". If the Government does not trust three quarters of its subjects, then what do they in turn really think about the system? Inevitably, the unjust and ascriptive criteria of classification breed resentment. No-one without a "good" background can hope to enter the elite Kim Il Sung Unversity, or get the plum jobs.

Besides resentment, this system produces two other predictable responses. One is corruption. If honest toil is not rewarded by preferment, then it may be bought. The other is passivity. Despite – or perhaps because of – the ceaseless frenzied yelling of the media, most North Koreans seem to be in no particular hurry. They do what they have to do to get by, but no more; why should they? They endure, as Koreans for centuries have endured. And, prudently, they keep their thoughts to themselves.

Aidan Foster-Carter is Director of the Leeds University Korea Project.

To the readers of the Financial Times.

The Chase Manhattan Bank, N.A.
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New York, New York 10081

Thomas G. Labrecque
President

CHASE

March, 1989

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Thomas G. Labrecque,
President

S African hunger strikers bid for embassy asylum

By Anthony Robinson in Johannesburg

FOUR black hunger strikers yesterday escaped from the Johannesburg hospital where they were being treated and sought asylum in the West German embassy in Pretoria.

They are among several dozen detainees who either resumed or continued their hunger strike in protest against detention without trial and government refusal to free or charge more than 500 people, in spite of the release of more than 400 emergency detainees over the past month.

German diplomats were reportedly processing the four's application for asylum but appeared embarrassed by their unexpected visitors.

Last year three emergency detainees sought refuge in the US consulate in Johannesburg. They failed to gain the publicity they expected and eventually agreed to leave the premises after police gave diplomats assurances that they would not be re-arrested.

Meanwhile in Durban Mr Sandile Thusi is reported to be in a serious condition after 32 days on hunger strike, while another hunger striker in Johannesburg reportedly gave up his strike after 29 days.

Several hundred detainees in prisons throughout the country have been involved in hunger strikes over the last few weeks.

But the poor publicity given to the start of the various strikes, the large numbers of otherwise unknown people involved and the Government's action in releasing more than 400 detainees in an attempt to defuse the issue has deprived the strikers of the kind of attention which the Irish republican hunger strikers attracted worldwide earlier this decade.

ANC 'will close its bases in Angola'

By Our Foreign Staff

THE African National Congress confirmed yesterday it was preparing to withdraw its guerrilla forces from training camps in Angola, and appeared to rule out military bases in Namibia when the territory becomes independent after this year.

ANC officials, speaking at the end of a five-day closed-door conference in Gran, Norway, said the move from Angola was part of the Angola-Namibia regional settlement. The meeting, attended by 88 senior officials, was the largest ANC gathering since 1986 and was called to review the situation in southern Africa.

Speaking at a news conference, Mr Alfred Nzo, the organisation's secretary general, said: "The apartheid regime is not only steeped in an irreverible crisis, it is weakening in many ways....The end, I think, is in sight.

"The situation in South Africa remains unchanged in its main elements," said Mr Nzo, saying the recent election of Mr F W de Klerk as leader of the ruling National Party would "not result in any significant change" in government policy. "Accordingly, we must escalate both the mass political offensive and our armed actions."

The ANC also issued a statement of support for Mrs Winnie Mandela, criticised by anti-apartheid groups in South Africa for the role of her bodyguards in the alleged abduction of four black youths and the death of one of them.

"Winnie should be given the opportunity to continue to be the symbol of our struggle," said Mr Nzo.

Rumours of the release soon from jail of Mr Nelson Mandela, the ANC leader, were dismissed as "a bluff".

More charges to follow Gandhi death plot probe

By K.K. Sharma in New Delhi

AT LEAST four more people are to be charged with conspiring to assassinate Mrs Indira Gandhi, the late Indian Prime Minister, who was killed by her Sikh security guards on October 31, 1984.

The new trial has been recommended by a special investigation team appointed to follow up a commission report on the circumstances leading to the assassination.

The commission's controversial report, formed by Mr Justice Thakker, will be presented to Parliament on March 27 following a major political storm last week that was triggered off by the publication in the Indian Express of a synopsis of a part of it.

Mr Rajiv Gandhi announced last week that the Thakkar Commission report would be presented to Parliament on March 27 when it meets again after a short recess this week.

The announcement came as a surprise because Government spokesmen had repeatedly expressed, during last week's political storm, the Government's determination not to publish it.

The report cast suspicion on Mr R.K. Dhawan, one of Mrs Gandhi's main aides who was recently reinstated by Mr Rajiv Gandhi after having been under a cloud for nearly four years.

Officials said yesterday that Mr Dhawan was cleared of the suspicion by the special investigation team formed to take follow up action on the commission's report. However, others implicated in the investigation are to be charged in court within a month.

In the main trial of Mrs Gandhi, one of her security guards, Kehar Singh, and a co-conspirator, Satwant Singh, were hanged a few weeks ago after the Supreme Court rejected their appeal against the death sentence imposed on them. Another person charged with conspiracy, Balbir Singh, was acquitted.

Sri Lankan Moslems challenge Israeli roles

By Mervyn de Silva in Colombo

SRI LANKA'S Moslem minority has challenged the controversial involvement of Israeli civilian and military advisers in the running of the country's affairs.

Mr M.H. Mohammed, the newly elected Speaker of the Parliament and a former Transport Minister, told a meeting organised by 20 Moslem organisations that President Ranasinghe Premadasa should "review" the question of the "Israeli interests section" operating within the US Embassy.

The meeting was, significantly, being held to celebrate the upgrading of the Palestine Liberation Organisation's mission in Colombo to a full embassy.

An Israeli interest section was opened in the US Embassy after a visit to Colombo in 1984 by Gernal Vernon Walters, President Reagan's special envoy. Former President Junius Jayewardene was seeking US military aid to fight the Tamil separatist guerrillas in Sri Lanka. Sensitive to Indian support for the Tamil minority, the US offered a compromise – Israeli counter-insurgency expertise and intelligence support, through an Israeli interests section in the US embassy.

The chief opposition spokesman on defence claimed that more than 100 Israeli military and civil secret service operatives were on the island, in the guise of "agricultural expects" and "gem dealers" and using US passports.

The Israelis were pleased to return to Sri Lanka. Their consulate was closed down by the Sri Lankan government in 1970.

But a renewed Israeli foothold in South Asia troubled India. Mr Rajiv Gandhi, the Indian Prime Minister, and Mr Jayawardene signed a peace accord in July 1987 but Mr Gandhi insisted on discussing "the relevance" of Sri Lanka employing "foreign ministry and intelligence personnel" which, he said, could affect India's security interests.

In fact, Sri Lanka had resisted Israeli pressure to open a full embassy after a visit by President Haim Herzog and a secret meeting in a Paris between President Jayewardene and Mr Shimon Peres, the Prime Minister of Israel. Mr Jayawardene apparently pleaded "Indian hypersensitivities" as the reason.

But now the Moslems, only 6 per cent of the population but increasingly listened to, are questioning whether Sri Lanka should have any relationship with Israel at all, formal or informal.

New Zealand business pines for 'Rogernomics'

Confidence remains on the floor in spite of government attempts to reassure, writes Dai Hayward

Caygill: stalled at the lights

NEW Zealand's main economic indicators, except the two most politically sensitive – interest rates and unemployment – have improved dramatically in recent weeks. Yet business confidence remains on the floor.

Mr David Caygill, the Finance Minister, has failed to persuade the business community that its fears that the Government is back-tracking on economic policies are unfounded.

The business community was shattered when Mr Roger Douglas, the architect of "Rogernomics" as his dynamic and radical brand of economic liberalism came to be known, was sacked by Mr David Lange, the Prime Minister, late last year.

Since then a widespread belief has grown that the Government has lost its way. The result has been a slowing in investment, more caution on the part of business to take long-term decisions and a general uncertainty over the future economic environment.

A National Bank survey of 800 businesses found widespread concern at the future direction and cohesion of economic policy. Also, the Institute of Economic Research reported that more than 300 businesses surveyed saw no improvement for at least the next six months.

Mr Caygill is trying hard to dispel these fears. He claims the myriad of reforms the Government put into place over the last four years created an environment conducive to economic growth. He chides businessmen for their lack of confidence in the future.

Comparing the economy to a top-of-the-range car he says: "I see myself as the driver of this now rather elegant economy which seems to be stalled at the traffic lights." To get it going again requires a push from all sectors, he says – a commitment to pick up momentum.

Mr Caygill, and to a lesser degree Mr Lange, have been trying to shift responsibility for the current stagnation and lack of confidence on to the business community itself. To some degree they have a case because it is many years since New Zealand had such a run of good economic statistics.

Inflation, at 4.7 per cent, is the lowest for 20 years and as recently as June 1986 was was running above 18 per cent. Mr Caygill's target is for inflation of 2 per cent or lower by the early 1990s.

A record trade surplus of NZ$2.4bn (£860m) was recorded in the year to January. In the three months to January export earnings increased 32 per cent while import costs rose by only 6 per cent for the same period.

However, extremely tight monetary and fiscal policies to squeeze out inflation, coupled with the accompanying high exchange rate, have brought recession to New Zealand which recorded close to zero gross domestic product growth in each of the last two years.

The question is how the upturn will be led and how strong it will be.

The Bank of New Zealand commented recently: "Despite a general consensus of an upturn, economic forecasters do not paint identical pictures of the next six to 18 months. On the contrary, differing expectations on two relative variables – private sector consumption and savings – cause considerable variation in the expected speed and sustainability of economic recovery."

The chill of recession and the uncertainty surrounding the immediate future undoubtedly account for some of the business despondency. But the sudden absence of Mr Douglas's inspiring enthusiasm in the handling of the economy must also play a part.

The contrast in styles is marked. The more flamboyant Mr Douglas oozed confidence through every pore. His every statement was clear, concise and left no doubts that it was part of a carefully planned programme of a government which knew exactly where it was going and would not be deterred by outside influences.

Mr Caygill's delivery is more deliberate and less convincing. He has not been helped by a flood of critical statements by Mr Douglas from the back benches; nor by conflicting statements on taxation and future economic policy from Mr Lange.

The suspicion that Mr Douglas was replaced to slow down the pace of economic change raises understandable concerns that the Government is contemplating, or willing to consider, a change of policy. The almost weekly government comments preparing the public for tax increases in the next budget – only a year since the announcement of much vaunted across-the-board individual and company tax cuts – reinforces this feeling.

The failure of banks and finance institutions to reduce high interest rates, running at 15 per cent and higher, is also undermining business and public confidence. A trading bank recently told a long-standing customer his interest rate would be 30 per cent if his overdraft went above NZ$10,000.

There is also uncertainty over how Mr Caygill can achieve his stated determination to cut the budget deficit to 1 per cent of GDP in the next financial year.

He rules out increased borrowing. "We are already up to our eyeballs in debt. To go further into debt would be suicidal. The cost is too high."

The only avenue remaining seems to be higher taxation, and business is becoming increasingly nervous about where it will fall and how much it will hurt.

Mr Caygill believes business leaders should accept the Government's repeated declarations that it will not backtrack on past moves in freeing up the economy and adopt a more positive approach to future planning. However, he has surprisingly made few public speeches before gatherings of businessmen to sell his arguments.

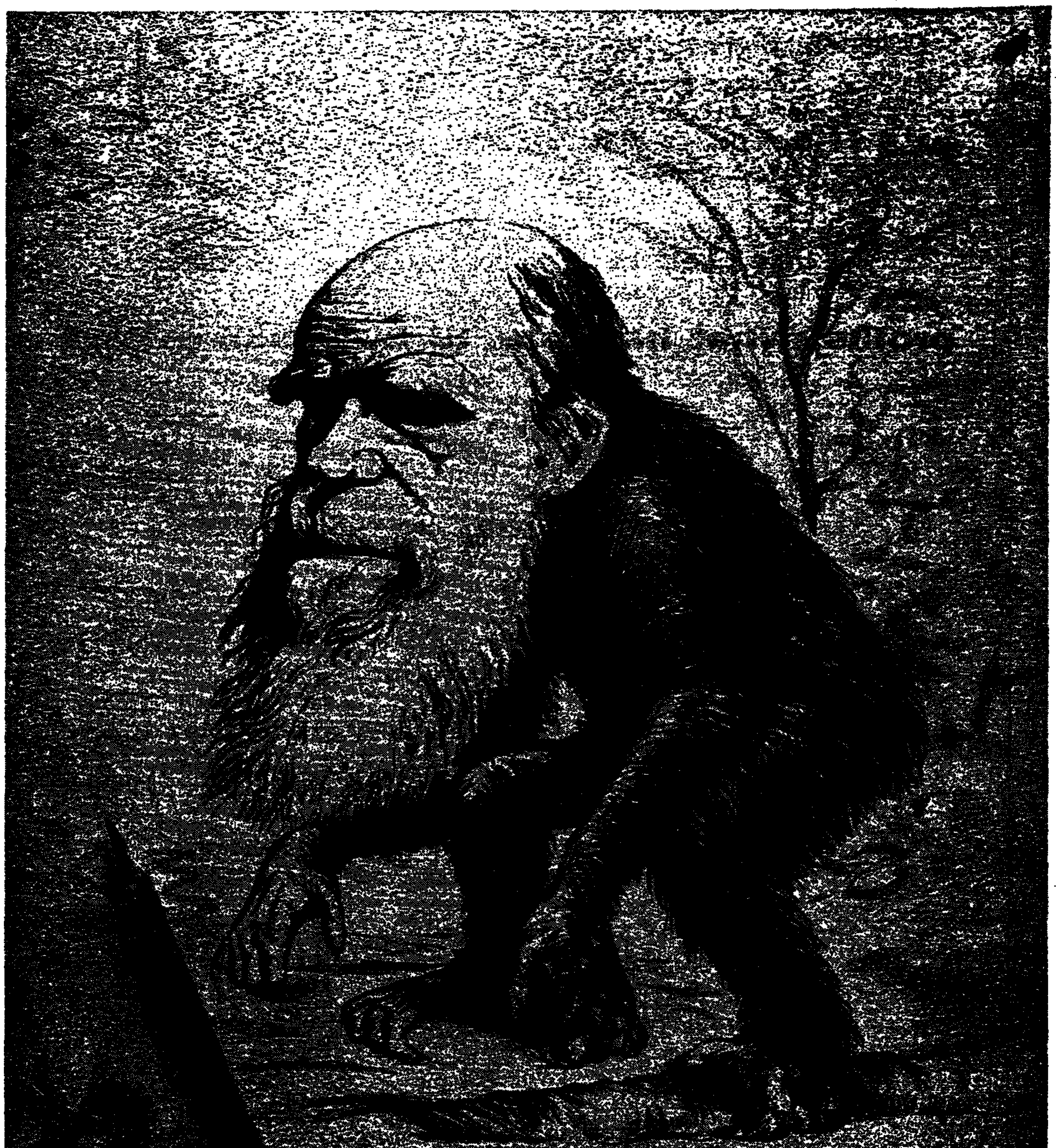
He clings to the budget deficit target as proof that the Government will not waver in pursuit of its economic goals. "This is an ambitious target. It will be tough, but the Government has agreed on it. It will require difficult decisions but we will make them because it is in the best interests of New Zealand."

He agrees that the Government is putting its political future on the line. Probably only he can now restore public and business confidence.

NZI Bank, which recently reported losses of more than NZ$150m (£54m) in the last nine months, has gained a full branch banking licence in Singapore, writes Dai Hayward in Wellington. It had one for merchant banking.

Much of the bank's work in Singapore involves servicing New Zealand customers but it has a staff of almost 40 managing assets of NZ$400m.

NZI Bank, which is a registered bank in New Zealand, has banking licences in Britain and Switzerland as well as a deposit taking licence in Hong Kong.



Japan's EC investment creates strains of its own

Underlying concern has added to the grievances against the Community, Peter Montagnon writes

ONE justification frequently cited by European officials for their stringent anti-dumping policy is the pressure it has brought to bear on Japanese manufacturing industry to step up its *job-creating investment* in Europe.

Not only has the imposition of dumping duties compelled Japanese companies to set up their own manufacturing facilities inside the Community; this process has also been accelerated by the decision to charge duties even on products assembled in Europe from parts brought in from Japan.

The result has been a surge in inward investment which jumped 90 per cent to $6.6bn (£3.6bn) in the year to the end of March 1988. A further strong *increase is expected in the current* fiscal year.

Yet the conditions under which such investment is taking place have created strains of their own, as a conference in Glasgow demonstrated at the end of last year.

Japanese speakers complained about *the EC's* tendency to impose unilateral local content requirements on products made by Japanese companies outside their home territory. They also said the extra cost of dumping duties was slowing establishment of local research and development facilities in Europe and causing strains in relationships with component suppliers.

The problem of local content has already surfaced through the dispute between France and the UK over whether Nissan *cars manufactured* in Britain should count as European and thus lie outside the French import quotas for Japanese cars.

According to Mr Muneoki Date, Japanese Ambassador to the EC, there is a more general underlying concern which has added local content requirements and rules of origin to the already quite lengthy list of Japanese grievances against the EC.

"We object to the EC's unilateral development and application of these rules," he told *the conference, organised* by the Scottish Development Agency and the Anglo-Japanese Economic Institute.

Mr Date believes EC local content requirements and rules of origin are likely to lead to growing trade frictions. Though the US authorities *have been largely silent about* the EC application of its own rules of origin to Ricoh copiers manufactured in California, he believes they will not remain so where other products, such as semi-conductors or Honda vehicles made in Ohio, are concerned.

Current international convention has it that local content requirements and rules of origin are a matter for the host or importing country, but Mr Date said there was an urgent need for new rules to be devel*oped within the General Agree*ment on Tariffs and Trade (Gatt) to pre-empt what he expects to be likely major trade conflicts.

The present European approach takes into account only the short-term interests of certain industrial sectors and could prejudice long-term co-operation, he said.

Yet, for the time being, there is no sign that these rules pose any threat to the dynamic flow of Japanese investment into Europe. After Nissan, the UK has now set its sights on secur*ing a Toyota plant. With 1992* looming, more Japanese companies are expanding their European presence to take advantage of the European single market.

From a European perspective, one of the problems associated with this is the uneven *spread of investment. Britain,* with its well-developed financial services and language advantage and (in the past) its attractive regional grants, has attracted a disproportionate share of this, provoking jealousy among some of its EC partners.

One consequence could well be a trend towards greater Community restrictions on state subsidies to inward investment. Already, grants to the automotive sector have become notifiable to the Commission in Brussels which must approve them.

> **'There is an urgent need for new rules to be developed within the Gatt to pre-empt what are expected to be likely trade conflicts'**

This means that Toyota's European plant decision, for example, will not be the subject of a subsidies bidding war *by EC member states.*

Yet for Japanese industrialists, the problem of finding component suppliers offering the right quality, price and delivery schedules remains paramount. Speakers at the conference said they wanted to source components in Europe, because this was part of the Japanese concept of "local globalisation" of its industry. Related to this is the desire to develop research and development capabilities inside Europe.

"Screwdrivering (local assembly of products from imported parts) in perspective is an interim thing in the development of a global industry," said Mr Don Pinchbeck, general manager of Epson (UK). European anti-dumping rules had forced companies such as his to develop local content at an unnatural pace.

Epson had experienced difficulty in finding plastics mouldings for its computer printers. It also had problems with pressed steel needed for the chassis of its printers. "We *cannot get steel of the quality* we need in Europe," he said. Epson had to buy in such steel, even though it did not want to.

Anti-dumping duties had thus increased Epson's costs by "millions of pounds", forcing it to run down its UK research unit and intended to support the development of products for Scandinavia, the Middle East and Africa as well as Europe.

Most speakers agreed that local R&D was an important part of Japanese efforts to integrate their companies with the European economy.

Mr Shoichi Shaba, the former chairman of Toshiba who is now adviser to the company and a vice-chairman of the Keidanren industrial federation, said there was "a natural tendency" for Japanese companies *to invest more in R&D abroad,* though he admitted that there was a potential problem in communicating with R&D units at head office.

Mr Yoshio Noguchi, managing director of Mitsubishi Electric (UK), which has been manufacturing TV sets in Scotland for 10 years, said local R&D was linked to the components problem because if it was all carried out in Japan, Japanese companies would continue to prefer Japanese-made components.

"I personally think this is a *most important issue if we* want to be a responsible community member of Europe," he said.

Yet the struggle to develop *local* sourcing in Europe could pay off in the long run. Mr Shaba said it was possible that European component suppliers would eventually reach the standard where they could themselves export to Japan.

That, however, presupposes an ability to keep up with the race in which the newly industrialising economies of Asia seem to be making most of the running.

W German, Soviet groups to update Indian steel plant

By K.K. Sharma in New Delhi

THE Government-owned Steel Authority of India has awarded contracts to consortia led by Mannesmann Demag of West Germany and Tiazpromexport of the Soviet Union to modernise and expand a British-built 30-year-old steel plant at Durgapur, West Bengal state.

The contracts, worth a total of Rs15bn (£570m), have been finalised.

The Durgapur modernisation plan involves investment of a total Rs29bn and work is to begin as soon as contracts for the remaining parts in the plan are awarded in the next few weeks.

Mannesman Demag will carry out works for raw material handling and the setting-up of a new steel melting shop. Tiazpromexport will build a new sinter plant and reconstruct three blast furnaces in the Durgapur plant.

Concast of Switzerland has already been given a letter of intent to set up a continuous casting plant at Durgapur. Hindusthan Brown Boveri has won the Rs1.2bn contract for providing an electrical distribution system for the steel plant.

The Durgapur scheme is part of a huge modernisation package for three of the four Indian public-sector steel plants run by SAIL at Bhilai, Rourkela and Durgapur, all of which are at present running at well below capacity.

The package involves an investment of over Rs100bn over the next decade and will raise the total production capacity of the three plants to 15 million tonnes annually. The bulk of the contracts are expected to be awarded to German and Soviet companies.

In Durgapur, Mannesman Demag and Tiazpromexport have agreed to use Indian equipment and materials as far as possible and SAIL sources say 60 per cent of the work will be done by local companies which are part of the consortia. The Indian companies involved are Hindusthan Steelworks, Birla Technical Services, and Dodsal.

Contracts for the German-built plant at Rourkela and the Soviet-built plant at Bhilai are now being discussed and are expected to be finalised in the next few months.

Part of the financing is to be met by concessional government-to-government aid and commercial credits. The Indian Government will provide the funds for local works.

Indian Iron and Steel Company (IISCO), a nationalised steel plant at Burnpur, is also to be modernised with the help of the Japanese Government and a consortium of Japanese companies.

Mazda studying production tie-up with Ford of Europe

By Ian Rodger in Tokyo and Kevin Done in London

MAZDA Motor, the Japanese car maker, yesterday confirmed a weekend newspaper report in Tokyo that it was studying the possibility of a production tie-up with Ford in Europe.

Ford of the US, the world's second largest vehicle maker, holds a 24.9 per cent stake in Mazda.

"*It is just a possibility,*" a Mazda official said. "We are now studying various strategies for the European market."

It was unlikely the company would build its own factory in Europe. Mazda exported 286,000 cars to Europe in 1988, including 202,475 to European Community countries.

The official said the company's marketing capacity in Europe meant it would not be easy to achieve good economies of scale in a wholly-owned plant. Thus, "we will tend to think in other direc*tions, such as joint production* with a European maker or continuing our trend to exporting more upscale models".

According to the Nihon Keizai Shimbun newspaper, the two companies would develop and then produce a 1.8 litre car at a Ford plant in West Germany or Spain. The plan would be to make 200,000 cars, 100,000 to be sold under the Mazda label and 100,000 under the Ford label.

However, a Mazda official said there were "no concrete *plans" to develop such a car.*

Ford's European assembly plants in West Germany, Spain, Belgium and the UK are already working at full capacity and it is unlikely that Ford would have the resources to produce a Mazda vehicle at an existing facility. Ford in the US said yesterday that no joint project with Mazda was near agreement.

Earlier this month, Mr Norisama Furuta, president of Mazda, said the company had not decided what strategy to adopt in Europe. "If we decide *for production in the European* Community, we will not be able to come by ourselves. It is more natural to join forces with someone else."

Trade disputes handled by Gatt rise sharply

By Peter Montagnon, World Trade Editor

A SHARP increase has occurred in the number of trade disputes handled by the General Agreement on Tariffs and Trade since the Uruguay Round of multilateral trade negotiations started in 1986, according to a study by the Canadian delegation to the Gatt in Geneva.

The study records 29 complaints brought to Gatt *between the time the Uruguay* Round started and February this year. Though it gives no comparative figures, this contrasts with about 20 cases brought between January 1980 and mid-1986 and an average of one case a year during the 1970s.

The study points to the conclusion that the Gatt dispute settlement mechanism is not only being used more frequently, but is faster in producing results than many outsiders believe.

Of the 29 cases brought to Gatt, disputed panels were set up at the same meeting as the complaint was lodged. In five cases, a panel was established at the following meeting and in four cases at the meeting after that.

In the period covered by the study, 12 panel reports were submitted to the Gatt council, of which 10 have been adopted. Time taken between the announcement of terms of reference and composition of a panel until its presentation to the Council varied from four to 13 months, well within the schedule prescribed under the new dispute settlement mechanism agreed at last December's meeting of trade ministers in Montreal.

The Canadian report does not cover the success of plaintiffs in winning compliance with judgments in their favour. *One case where this has* not yet proved possible was the US complaint against Canada's ban on the export of unprocessed salmon and herring adopted a year ago.

The US has yet to implement panel findings against its customs user fee and its superfund levy on imported oil. The US argues it has not yet been possible to persuade Congress to pass the necessary legislation.

Seoul to tighten controls on business with East bloc

SOUTH Korea will tighten its controls on private business with communist nations and require government approval for joint ventures over $1m (£555,000), the Economic Planning Board said yesterday, AP-DJ reports from Seoul.

The board said its Committee for Northern Economic Policy had decided that this would apply to private bids for joint ventures with communist nations under the Korean Export-Import Bank's guarantee.

South Korea has no diplomatic relations with any communist country except for Hungary, but has pursued economic and trade relations as a means of expanding its trade base.

The planning board said businesses would be asked to submit investment plans to the International Private Economic Council of Korea, a non-governmental consulting body for co-ordinating business with communist countries, which would pass the plans to relevant government agencies for initial screening.

The plans then would be approved by the Economic Planning Board committee before receiving the bank guarantee.

Currently, business concerns only need to obtain central bank approval *to obtain the* Export-Import Bank's guarantee.

AMERICAN NEWS

Right-wing claims poll victory in El Salvador

By Tim Coone in San Salvador

MR Alfredo Cristiani, the right-wing candidate in Sunday's presidential elections in El Salvador, has claimed victory over the ruling Christian Democrats.

No official results have been announced but approximately three hours after polling stations closed Mr Cristiani claimed, that with 75 per cent of the votes, his Arena party had won 54 per cent, giving it an outright victory. To avoid a second ballot, the winning candidate must obtain more than 50 per cent of the vote.

Estimates for voting turnout range from 30-50 per cent in the countryside and from 55-65 per cent in the cities. The election boycott called by the FMLN guerrillas, supported by a transport strike and widespread military activity, is thought to have made the turnout lower than last year's elections for representatives to the National Assembly, which were also won by Arena.

Results obtained by foreign observers and journalists from the first count made at the polling stations would seem to support Mr Cristiani's claim to victory.

Polling returns at one of six voting centres in the capital consistently gave Arena a wide margin over its centrist rivals, the Christian Democrats and the left-wing Democratic Convergence.

The voting pattern would appear to be in the region of 50-60 per cent to Arena, 30-40 per cent for the Christian Democrats and 5-10 per cent for the Convergence. Spoiled votes, one of the boycott tactics of the FMLN, were relatively few amounting to some 2-3 per cent. The remaining four parties contesting the elections picked up only 2-3 per cent between them. Christian Democrat leaders admitted on Sunday night that they had lost the capital, San Salvador, where the results became known first.

Mr Cristiani was at pains to allay concern that a right-wing victory might lead to a bloodbath and a murderous confrontation with the FMLN.

Cristiani: 'no bloodbath'

When asked if Arena will renew talks with the guerrillas when he takes office in 60 days he replied: "The people don't want to wait 60 days. There is a commitment by all the political parties, signed at the talks in Mexico, to continue the dialogue started there, and that is what we want to do as soon as possible."

He was referring to last minute talks held in Mexico in February between a delegation of the FMLN and of all El Salvador's political parties, to discuss FMLN proposals to postpone the elections and to incorporate the guerrillas back into civilian life.

Journalist deaths spark fears of new terror campaign

By Tim Coone

IT is open season once again for shooting journalists in El Salvador. After a period of almost four years without any losses in the foreign press corps in this war-torn country, three journalists died in one day covering the presidential elections.

As the far-right Arena (a party with a dubious human rights record) claims victory, concern is being felt in the foreign press community that a campaign of intimidation against the press is again underway. Between 1980 and 1984, 22 journalists died in El Salvador, nine of them from the foreign press and most of them in circumstances which suggested assassination.

The Salvadorean foreign press association yesterday rejected *official versions of* how the three journalists died.

The first two journalists to die on Sunday were Salvadoreans. Mr Roberto Navas, a photographer working for the British news agency Reuters, was apparently shot by a guard at a checkpoint on the main road by the Air Force base of Ilopango, on the outskirts of the capital San Salvador. According to another photographer who was with him and who is in hospital, both had presented their documents and were driving away from the checkpoint when a guard opened fire, killing Mr Navas.

Mr Mauricio Pineda, a soundman for Salvadorean television, was apparently shot in similar circumstances.

The third death, that of Mr Cornel Lagrouw, a cameraman for Dutch television, also raises questions about the army's behaviour. He was seriously injured with a chest wound when filming a battle between the army and the FMLN guerrillas in San Francisco de Xavier. Four journalists tried to rush him to hospital but were delayed for over half an hour when military aircraft strafed their car. It was clearly identified as a press vehicle. Mr Lagrouw was dead on arrival at the hospital.

Brazil awaits easing of price curbs

By Ivo Dawnay in Rio de Janeiro

BRAZIL is bracing itself for the gradual defreezing of consumer prices, new tripartite talks on pay policy and a cut in interest rates in what constitutes the crucial second phase of the anti-inflation Summer Plan launched in January.

At the heart of the debate among government economists in Brasilia is to what extent some measure of price-indexation can be allowed to return without again triggering hyper-inflation.

Prices of about 15 products were expected to be adjusted yesterday but have been delayed amid accusations by senior government officials of undue pressure from business.

Meanwhile, the Labour Ministry was attempting to conclude controversial assessments of the percentage increase in pay rates needed to compensate workers for lost purchasing power.

The unions, which last week carried out a partially successful 48-hour general strike, have been arguing for rises of up to 50 per cent to make up for losses incurred in the three years since President José Sarney's first "shock" economic programme, the Cruzado Plan.

Ministers look set to offer a figure nearer 5 per cent but are also believed to be seeking agreement on a new system of negotiated monthly rises.

A complicating factor is finding agreement on defining the rate of inflation. The official index gave February inflation of 3.6 per cent, but other measures show it as 13 per cent.

Europe and Japan 'need bigger IADB role'

By Stephen Fidler, Euromarkets Correspondent, in Amsterdam

THE finance ministers of France and the Netherlands yesterday called for a greater role for Japan and Europe in the Inter-American Development Bank.

The bank was created 20 years ago by the US and Latin America to help finance development projects. Canada, which now has a 4.4 per cent shareholding, and most European shareholders (6.1 per cent together) and Japan (1.1 per cent) joined in the 1970s. The US, with a 34.5 per cent shareholding, still dominates the institution.

Mr Pierre Bérégevoy, the French Finance Minister, said "the European Community and Japan, in particular, must have a greater representation than at present". He called for a committee to examine how this should be done.

Mr Onno Ruding, the Dutch Finance Minister who is chairing the meeting, offered his support for the recommendation made by an external review committee that the bank's non-regional representation should be increased.

This discussion has been in abeyance until negotiations on a proposed capital replenishment for the Bank have been completed.

A serious sticking point in the negotiations on this subject was overcome in the early hours of yesterday.

At issue was a US proposal introduced at the weekend which would have restricted sector development lending by the IADB – loans aimed at encouraging reform in economic sectors – to countries with International Monetary Fund and World Bank economic programmes in place.

The proposal was opposed by the bank's Latin American shareholders. The eventual compromise envisages a two-year period under which the IADB will only make co-financing loans when a World Bank structural adjustment facility is in place. After two years, the issue will be reviewed.

A lot of hard talking is still needed if the final agreement for the capital replenishment of $26.4bn is to be made by the end of the annual meeting tomorrow. The increase should allow scope for a lending programme of $22.5bn in 1990-93.

Debt deals done in smoke-filled rooms

IADB NOTEBOOK BY STEPHEN FIDLER

● **Late-night line-up:** The president of the Inter-American Development Bank, Mr Enrique Iglesias, is known for his fondness for late-night negotiating sessions in smoke-filled rooms. The former Finance Minister of Uruguay cemented this reputation, when all seemed lost, through the last-ditch agreement he helped to forge at the 1986 ministerial meeting that launched the Uruguay Round of world trade negotiations.

It was just such a session which cemented the compromise that has kept open the hope that a capital replenishment for the bank might be completed by the end of the meeting tomorrow. Delegates wound up the meeting at 1.30am.

● **Brazilian breakthrough:** Brazil achieved a breakthrough of its own yesterday when banks granted the necessary waivers which should allow — disbursement of $600m in bank funds. Mr Mailson da Nobrega, the Brazilian Finance Minister, said the waivers - which include the substitution of a controversial power sector loan as a precondition - should allow the disbursement to take place within two weeks.

However, Brazil owes $600m-$650m in interest, which he says Brazil intends to pay. Bankers think the two payments could be made simultaneously. The interest payment would be the last for six months.

● **Peruvian postponement:** Peru and its leading bank creditors, led by Citibank, have agreed to get together for the first time since September 1986. The reopening of the dialogue between the country and its banks was originally scheduled for Easter Sunday, but this date - while laden with potential symbolism - is being rescheduled.

● **Argentine arrears:** Argentina, over $2bn in arrears to commercial banks, is informally advising bankers that they see little point in convening a meeting with them until after presidential elections in May. Even then, there will be a seven-month hiatus before a new President assumes office.

Meanwhile, while in arrears on bank debt, the country last week made an interest payment to holders of exit bonds it launched under its 1987 financing package.

● **Ecuadorean easing:** Another country in arrears to creditor banks - Ecuador - is now telling its bankers that it intends to make some payments of interest on its medium-term bank debt. Bankers say there were concerns that some banks would begin to pull back on short-term credit lines to the country.

● **Low-key liaisons:** The relatively low-key annual meeting of the IADB invites comparisons with last September's annual meeting of the World Bank and International Monetary Fund in West Berlin. The media circus that attends the IMF/World Bank meetings are not apparent here, and the smaller scale encourages closer contacts between participants and observers. And while in West Berlin people turned out in their thousands to protest at the supposed role of the IMF and World Bank in destroying the environment and worsening the lot of the poor, all Amsterdam could muster on Sunday was a dozen drum-banging desultory demonstrators to protest against two local banks' involvement in some unpopular loans.

Tourism makes a profitable splash

Canute James on problems and prospects for Caribbean economies

THE LURE of Caribbean beaches proved to be a welcome relief not only for weary tourists last year, but also for the region's struggling economies.

Many Caribbean countries are increasingly turning to tourism as the answer to troubled times of falling output and prices, and natural disasters which have devastated agricultural production.

The Caribbean Development Bank, in its review of the economies, said a strong showing by tourism offset stagnation in the region's English-speaking countries, caused largely by a decline in Trinidad and Tobago and Guyana.

The United States is the Caribbean's major tourist market, accounting for about two out of every three visitors. But the bank reported that although Caribbean tourism lost market share to destinations in Latin America and the Far East, it more than made up for this with higher volumes from Europe. This was largely due to the the appreciation of European currencies against the dollar.

The bank said that although the economies of most of its 17 borrowing members performed well last year, overall output was depressed because activity in Trinidad and Tobago and Guyana fell by more than 3 per cent.

The CBD went on to say that normally Trinidad and Tobago "accounts for about one third of regional output."

Guyana and Trinidad and Tobago suffered the ill effects of labour tensions, bad weather, and weakening oil prices.

The petroleum sector, on which Trinidad and Tobago's economy depends, contracted in 1988, contributing to the decline in the country's economy. Weak oil prices and declining production were the causes, said the CDB.

Strong demand for aluminium last year did not help the bauxite industries in Jamaica and Guyana.

A hurricane in September caused a temporary shutdown of the bauxite industry in Jamaica, leading to a decline in mining and refining output. Production fell in Guyana after heavy rains forced mines to close.

"It is estimated that overall regional (Caribbean) output did not increase in 1988," the CDB said, but it added: "This was an improvement on the one per cent decline in 1987. If Guyana and Trinidad and Tobago are excluded from the regional analysis, real growth in the 15 remaining economies is estimated to have been at least 3.7 per cent, compared to 5.3 per cent in 1987."

So all is not bad news and the Caribbean's prospects this year are better, the CDB said, despite an expected slowdown in the rate of growth in industrialised countries.

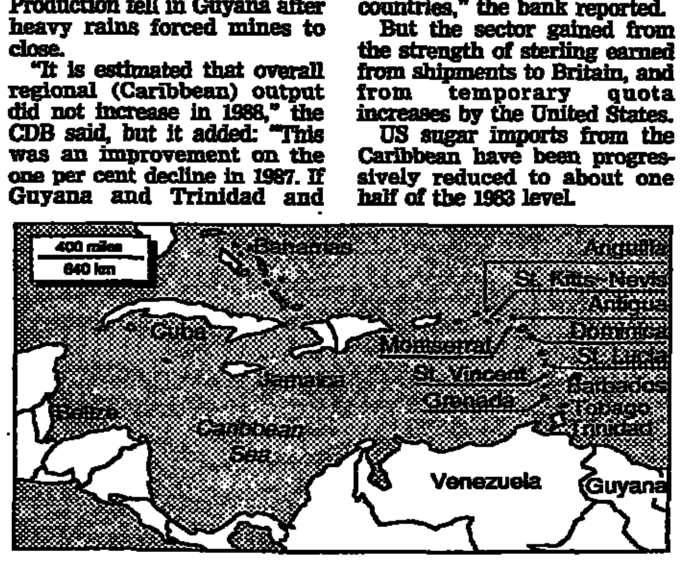
Agriculture, the foundation of most economies in the region, had a mixed year.

Although Jamaica and Trinidad and Tobago managed to lift sugar output, the region's cumulative production fell 2.5 per cent, due mainly to a 25 per cent fall in Guyana, the group's largest producer.

"Performance was adversely affected by unfavourable weather conditions, labour shortages, industrial disputes and rationalisation programmes which led to cutbacks in acreage plant in some countries," the bank reported.

But the sector gained from the strength of sterling earned from shipments to Britain, and from temporary quota increases by the United States.

US sugar imports from the Caribbean have been progressively reduced to about one half of the 1983 level.



Although a hurricane destroyed Jamaica's banana industry, bringing exports to a halt, the Caribbean region shipped 12 per cent more fruit in 1988 due to steady expansion in the Windward Islands. The region supplies just over two-thirds of the bananas consumed in Britain.

Although inflation in the region last year was "relatively low and consistent with the trend in the region's major trading partners," unemployment remained high, with strains on the labour market, nominal wages and production costs, the bank's review reported.

Unemployment in the region averages 20 per cent.

"A slight improvement in the current account of the balance of payments was recorded despite the poor growth performance in the larger economies," the CDB said.

It explained: "The buoyancy of the tourism sector, increased banana production and the impact of the appreciation of sterling against the dollar for most of the year on banana and sugar exports to the UK, and the increase in the US sugar quota, contributed to this improvement."

In forecasting a better year for the region, the CDB said agriculture would expand, barring natural disasters.

Continued growth of the European visitor market and the cruise shipping industry would lead to increased income from tourism, while the manufacturing and petroleum sectors will remain "sluggish," the bank reported.

The CDB warned Caribbean governments to be wary of several developments, however, including the production of bananas at a rate faster than British demand.

The bank said also the region should improve productivity, particularly for sugar and bananas which will have to compete on the European market after the EC removes internal trade barriers at the end of 1992.

The CDB, based in Barbados, provides project financing for the 17 borrowing members, including Guyana in South America, Belize in Central America, and the Bahamas.

It has total resources of about $550m, with just over 30 per cent of this contributed by the US, which is not a member, and about a quarter by Britain, Canada and France which are non-borrowing members.

Talks on Venezuela loan reach stalemate

VENEZUELA yesterday said talks with banks on a $600m bridging loan had stalled because it refused to use its oil as collateral, Reuter reports from Amsterdam.

"We have reached a stalemate," Mr Edgard Leal, Venezuela's chief debt negotiator, said at the Inter-American Development Bank (IADB) annual meeting in Amsterdam.

He said the idea of tying up Venezuela's main revenue earner was unacceptable for strategic reasons.

"If you serve up your principal asset on a platter now, it sets a dangerous precedent," he said.

One European banker said he was not surprised at Venezuela's stand because it had received two bridging loans since riots over price increases in February in which 256 people died.

The banker said that with the $450m from the US Treasury and $350m from Spain, Venezuela could probably tide itself over for the time being.

Mr Leal said Venezuela's 13-bank steering committee had proposed using oil as collateral during the last round of talks in New York on March 2. The decision to reject the proposal was communicated to the committee last weekend.

Venezuela's state oil company, Petroleos de Venezuela, is also firmly opposed to the proposal.

Mr Leal said Venezuela's position on debt service was unchanged by the stalemate and it would continue to pay interest according to the availability of foreign reserves.

He added that there was still room for further talks, but no date has been set for a new meeting with the committee.

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Brazilians fall under a spell born of despair

John Barham in São Paulo looks at a revival of the far right

THE TOWN of Nossa Senhora Aparecida, Brazil's national shrine, is an emerging Nazi party's improbable seat of power. Mr Claudio Galvao de Castro, an eccentric building supplies merchant, was elected Brazil's first Nazi mayor last November with 6,848 votes.

As well as receiving some 8m pilgrims to its vast basilica every year, Aparecida is now playing host to smaller groups of admiring Nazis and fascists. When Mayor Galvao walks along the town's streets, he is occasionally greeted by supporters and invited to *churrascos*, the gargantuan barbeques which are an essential feature of Brazilian social and political life.

Mr Galvao, 45, a man with intense, inconstant green eyes, says his own "admiration" for Adolph Hitler began after he read Mein Kampf in a widely-available Portuguese translation. His commitment to Nazism grew after he visited Munich in 1971.

Extremists such as Mr Galvao are making political capital out of President Jose Sarney's enfeebled government. Brazil now has at least 13 far-right groups. Most of them were founded in the last two years. Half are of avowedly Nazi or fascist inspiration.

Brazil's four-year-old "New Republic" is mired in ever-worsening difficulties. It came to power after 21 years of military rule but opinion polls often find the public calling for a return to dictatorship.

Brazilians, possibly for the first time in 25 years, are unsure of their future and rapidly losing their self-esteem. They are sickened by government incompetence and view the political process as corrupt and indifferent to their suffering.

The far-right Nazi and fascist parties are prospering from the growing despair among middle class Brazilians by offering simple, authoritarian solutions: work, order, discipline and nationalism.

Most Brazilians would unanimously support Mr Galvao's belief that "we may have elections but we keep the same gang in this pseudo-democracy. With few exceptions, the greater an imbecile is, a better politician he will make. This situation of mis-government will inevitably lead us to chaos."

Nevertheless, the mayor does not plan to impose Nazi rule on Aparecida. His proudest achievement so far has been to paint the town's pavements green and yellow, Brazil's national colours. He takes visitors on a tour of the waterworks and excitedly describes how he cleaned the town's water supply.

Rabbi Henry Sobel, a leader of São Paulo's Jewish community, said: "We are monitoring them but there is no reason to push the panic button. It's a sign of the times, of economic and social difficulties. The country is in an existentialist malaise and at times like these, the people lend an ear to false Messiahs."

Asked why he voted for Mr Galvao, an embarrassed shopkeeper replied: "Well, you should have seen the others, they were even worse." Mr Galvao campaigned on prosaic issues such as improving the sewage system.

Curiously, he belongs to the Democratic Labour Party (PDT) led by Mr Lionel Brizola, the leading contender in this November's presidential elections. Mr Brizola's own political roots go back to the 1930s, when Getulio Vargas ruled as a dictator.

Mr Vargas was deeply influenced by fascist Italy and drew on Benito Mussolini's ideas to "modernise" Brazilian society. It was Mr Vargas who laid the foundation of Brazilian industry, subjugated the trade unions and set up a welfare state. The neo-fascist, paternalist and largely personalist political system he created remains the basis of government to this very day.

Troubled times: Extremists are making political capital out of Jose Sarney's (above) enfeebled government

Mr Brizola is no fascist: he bravely opposed the 1964 military coup and spent 15 years in exile. However, he does claim Mr Vargas's questionable heritage for himself. The PDT is deeply embarrassed by Mr Galvao's Nazi sympathies but has not yet expelled the mayor from its ranks.

Mr Galvao probably joined the PDT just to embarrass it. However, many fascists and Nazis are genuinely attracted by Mr Brizola's nationalist sentiments. A poll in Rio de Janeiro last January found that 77 per cent of respondents said they were nationalists.

Although the Nazis and fascists have a negligible role in the political establishment, other more "respectable" far-right groups are gaining support.

The Integralist Party, a fascist relic from the 1930s, still wields considerable influence in the upper reaches of Brazil's wealthy middle classes.

Possibly even more powerful is the Brazilian Society for Tradition, Family and Property (TFP), a bizarre fundamentalist Catholic organisation. It vehemently opposes land reform and its turgid literature longingly evokes feudal Europe. However strange its belief may be, the cash-rich TFP is a force to be reckoned with.

Land reform is an issue dear to the hearts of the conservatives and extreme right. Mr Ronaldo Caiado, a farmer and gynaecologist, created the Democratic Ruralist Union (UDR) to oppose expropriation. UDR members are invariably rich landowners, some of whom are accused of murdering peasant squatters. The UDR is a thuggish, ultra-conservative organisation but has none of the fascists' doctrinaire trappings.

Despite the growing support for the plethora of far-right groups, it seems certain that their growth will be limited. Rabbi Sobel noted that most far-right groupings appear and disappear at moments of crisis, but rarely survive for long.

The Brazilians' legendary tolerance and aversion to confrontation usually means that the ultra-right's message falls on barren ground; and, of course, Brazil's blurred racial lines obscure the Nazis' appeal to racism.

Yet the far right has not enjoyed such prominence since 1964, the last time Brazil faced a turning point in its history. That year, a bloodless military coup swept democracy away for 21 years. The right enjoyed a brief resurgence, only to be suffocated by the dictatorship it had supported so enthusiastically.

This time, Brazil is not under threat from the military and democrats are still in an overwhelming majority. Once Brazil's debt burden is reduced and it resumes non-inflationary growth, the fleeting enchantment with the likes of Mr Galvao will surely vanish.

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FT LAW REPORTS

Transfer of ship repair business leads to unfair dismissal

LITSTER AND OTHERS v FORTH DRY DOCK & ENGINEERING CO LTD AND ANOTHER

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): March 16 1989

AN EMPLOYEE who is dismissed before his employer's business is transferred to another company is deemed to have been unfairly dismissed "immediately" before transfer so that liability devolves on the transferee, if the dismissal was not for economic reasons but was solely or principally for reasons connected with the transfer.

The House of Lords so held when allowing an appeal by 12 employees dismissed by the first respondent, Forth Dry Dock & Engineering Co Ltd before the transfer of its business to the second respondents, Forth Estuary Engineering Ltd, from a decision of the Second Division of the Inner House of the Court of Session, that they had not been unfairly dismissed.

LORD TEMPLEMAN said that by article 3 of Directive 77/187/EEC, the Council of the European Community directed that on the transfer of a business from one employer to another, the benefit and burden of contracts of employment should devolve on the transferee.

The object of the Directive was "to provide for the protection of employees in the event of a change of employer."

Article 4 of the Directive provided that the transfer of an undertaking should not in itself constitute grounds for dismissal. The provision was not to stand in the way of dismissals for "economic, technical or organisational" reasons.

The Transfer of Undertakings (Protection of Employment) Regulations 1981, were approved for the express purpose of implementing the Directive.

Regulation 5(1) provided in conformity with article 3 of the Directive that a transfer should not operate to terminate the contract of employment "of a person employed . . . in the undertaking."

Regulation 8 provided in conformity with article 4 that the employee should be treated as unfairly dismissed "if the transfer or a reason connected with it is the reason or principal reason for his dismissal."

In the present case Forth Dry Dock was a member of a group of companies headed by a parent company which defaulted on payments under a debenture to Lloyd's Bank.

On September 1983 Lloyd's appointed receivers of all the companies in the group. Forth Dry's ship-repairing business was continued by 25 workers after the appointment of receivers.

A Mr Brooshooft, consultant to the parent company, formed a new company, Forth Estuary Engineering, to purchase the business from the receivers. It declined to purchase the existing lease, but took a new lease from the landlord. It declined to purchase Forth Dry's goodwill, and was only prepared to buy its tangible assets.

The object of taking a new lease and declining to take the goodwill was to make it appear that the Directive and Regulations did not apply, because the whole of the "business" had not been transferred. Those arguments had been rightly rejected at all stages of the litigation.

The Forth Dry workers were given the impression that their employment would be continued by a new owner.

On February 6 1984 the receivers agreed to sell the business assets to Forth Estuary for £33,500.

At 3.30 pm the receivers informed the workforce that no further funds could made available to pay wages. At 4.30 pm they transferred the business. Thereafter Forth Estuary continued the business, using the redundant employees of another ship repairing company, Robb Caledon, at lower wages.

The Forth Dry assets were taken by Lloyd's as debenture holder, so that nothing was available to pay workers their holiday entitlement, damages for dismissal without notice, or damages for unfair dismissal.

It was argued that Forth Estuary, which was solvent, was not liable to the workers because they were dismissed one hour before transfer of the business. It denied liability under regulation 8 of the 1981 Regulations. The Court of Session found in its favour.

Regulation 5(3) provided that in 5(1) "a person employed in an undertaking" was "a person so employed immediately before the transfer."

It was said that since the Forth Dry workers were dismissed at 3.30 pm, they were not employed "immediately" before the transfer at 4.30 pm.

The argument was inconsistent with the Directive.

In *Bork International (Case 101/87)* the European Court of Justice ruled that workers whose contracts of employment were terminated before the date of transfer in breach of article 4(1) must be considered as still employed on the date of transfer, so that the employers' obligations towards them were fully transferred in accordance with article 3.

UK courts were under a duty to give a purposive construction to Directives, and to Regulations issued for the purpose of complying with Directives (see *von Colson [1984] EC 1891.*)

In the present case, in the light of the Directive and *Bork*, regulation 5(3) must be construed on the footing that it applied to a person employed immediately before the transfer, or who would have been so employed if he had not been unfairly dismissed before the transfer for a reason connected with the transfer.

The appeal should be allowed.

LORD OLIVER said that the Second Division of the Inner House had followed the Court of Appeal decision in *Spence [1987] QB 179*, which their Lordships were now invited to overrule.

In *Spence* the employees were dismissed at 11.00 am with immediate effect. A transfer agreement was signed at 2 pm. The employees were re-employed by the transferee, but claimed redundancy payments from the Redundancy Fund.

The industrial tribunal found, first that there was no collusion between receivers and transferees, and second, that the reason for dismissal was that at the time there was no prospect of work for the business.

It followed from those findings that the reason for dismissal was not "connected with the transfer" but was due to "economic" considerations, so that regulation 8(1) did not render the dismissals unfair.

The only question therefore was whether the workforce was employed "immediately before the transfer." The Court of Appeal held that regulation 5(1) could apply only where, at the *moment of transfer*, the contract of employment was still subsisting.

There was no flaw in the reasoning. The Court of Appeal was not called on to consider whether, under a collusive bargain or otherwise, an employee was dismissed because of the prospective transfer.

Under article 4 of the Directive, as construed by the European Court, a dismissal effected before the transfer and solely because of the transfer was, in effect, prohibited.

It had to be borne in mind that the purpose of the Directive and the Regulations was to safeguard the rights of employees on a transfer.

Pickstone [1989] AC 66 established that in applying a purposive construction to legislation designed to give effect to treaty obligations, the courts could imply appropriate words to comply with those obligations.

Regulation 5(3) should be read as if there were inserted after "immediately before the transfer", the words, "or would have been so employed if he had not been unfairly dismissed in the circumstances described in regulation 8(1)."

Such an implication was consistent with the general scheme of the Regulations, and was necessary if they were to fulfil their purpose of giving effect to the Directive.

That did not involve any disapproval of *Spence* which, on the facts, was not concerned with a dismissal attracting regulation 8(1) consequences.

It followed that where an employee was dismissed before and by reason of the transfer, the employment was *statutorily* continued with the transferee by virtue of the Regulations. In the present case it was quite clear that the reason for dismissal was the transfer of the business.

The appeal was allowed.

Lord Keith gave a concurring judgment. Lord Brandon and Lord Jauncey agreed with all three judgments.

Rachel Davies
Barrister

British Gas announces a new deal for contract customers

The schedule below has been produced by British Gas plc as a result of the recommendations of the Monopolies and Mergers Commission Report on the Company's supply and pricing policies to contract customers. In conjunction with the Director General of Gas Supply, the British Gas Authorisation as a public gas supplier has been modified to give effect to the MMC recommendations and these schedules conform with the provisions of the modified Authorisation. The published prices come into operation from 1 May 1989.

BRITISH GAS PLC

CONTRACT GAS PRICING SCHEDULE

Ref: CSP1 **Effective from: 1st May 1989**

Pursuant to Condition 5 of its Authorisation, British Gas will enter into Special Agreements (contracts) with customers for the supply of gas through pipes to premises which they own or occupy, each premises consuming in excess of 25,000 therms per annum, on the prices and terms shown in these schedules subject to the conditions of contract. (These conditions are available on request from the Registered and Regional Head Offices of British Gas.) The prices and terms shown do not apply to transitional contracts, back-up gas or to the other forms of supply identified in Condition 5 of British Gas' Authorisation.

The prices shown in these schedules are for gas supplied under a standard contract to specific classes of customer. A customer will nominate the annual consumption for the selected type of supply which will determine the scheduled reference price for a standard contract. *Contracts will contain clauses giving effect to maximum consumption levels and allowing the charges which are for gas actually consumed to be reconciled against the nominated consumption.* Reconciliation will take place at the anniversary date of the contract. (See Note 1).

The prices and other terms shown in the schedule will be modified at the discretion of British Gas. Publication of revised prices and other terms may not take place within 28 days of the previously published schedule without the consent of the Director General of Gas Supply (Ofgas).

The scheduled reference prices which are for a standard contract, are shown at (i) under Schedule 1 and Schedule 2 below. Customers may choose alternatives to the standard contract terms by selecting optional terms (i.e. differing length of contract or methods of contract price movement during the contract). The optional terms available and the price variations in respect of these are shown at (ii) under each schedule.

Schedule 1: Firm Gas

(i) *Standard Terms of a Firm Gas Contract:*
Gas supplies under a contract of 1 year duration to single or multiple-premises of the customer.
Prices will move in line with the schedule as published from time to time. If necessary, at the commencement of each contract quarter, the contract prices will be adjusted to the appropriate price given in the published schedule operating at that date.
The scheduled reference price for the nominated annual consumption level under a standard firm gas contract is given in Table A.

TABLE A	FIRM GAS—SCHEDULED REFERENCE PRICE—P/THERM										
VOLUME BAND	1	2	3	4	5	6	7	8	9	10	11
NOMINATED CONSUMPTION THERMS/ANNUM	25,001 to 50,000	50,001 to 100,000	100,001 to 150,000	150,001 to 250,000	250,001 to 500,000	500,001 to 1,000,000	1,000,001 to 2,000,000	2,000,001 to 5,000,000	5,000,001 to 10,000,000	10,000,001 to 25,000,000	Greater than 25 MM+
Number of Premises (See Note 2) 1	34.0	33.5	33	32	31	30	29	27.5	26	24.5	—
2	—	33.8	33.4	32.5	31.5	30.5	29.5	28.0	26.5	25.0	23.0
3	—	33.9	33.6	33.0	32.0	31.0	30.0	28.5	27.0	25.5	23.5
4–5	—	—	33.7	33.3	32.5	31.5	30.5	29.0	27.5	26.0	24.0
5–10	—	—	—	33.5	32.9	32.0	31.0	29.5	28.0	26.5	24.5
11–20	—	—	—	—	33.2	32.5	31.5	30.0	28.5	27.0	25.0
21–50	—	—	—	—	—	32.8	32.0	30.5	29.0	27.5	25.5
51–100	—	—	—	—	—	—	32.4	31.0	29.5	28.0	26.0
101–400	—	—	—	—	—	—	—	31.5	30.0	28.5	26.5

(ii) *Optional Terms at Customer Choice for a Firm Gas Contract:* The options available and the price variations to the scheduled reference price are given below:

OPTIONS	
(a) Extend contract to 2 years' duration	No extra charge
(b) Price fixed for: 1 Year	+3%
2 Years	+7%
(c) Index-Linked Contract (See note 3)	No extra charge
Indices	50% PPI: 50% Gas Oil

Schedule 2: Interruptible Gas

(i) *Standard Terms of an Interruptible Gas Contract:* Gas supplied under a contract of 1 year duration to customers with individual premises, each consuming in excess of 250,000 therms per annum. There are three forms of standard interruptible contract from which the customer may choose. These are differentiated by their minimum and potential periods of interruption within a contract year. The periods of interruption, which will occur at British Gas' discretion and may or may not be continuous, are:

(1) *Short Period:* interruption for a minimum period of 3 days and up to a maximum of 35 days.
(2) *Medium Period:* interruption for a minimum period of 7 days and up to a maximum of 63 days.
(3) *Long Period:* interruption for a minimum period of 21 days and up to a maximum of 90 days.

For each type of interruptible contract, prices will move in line with the schedule as published from time to time. If necessary, at the commencement of each contract month, the contract prices will be adjusted to the appropriate price given in the published schedule operating at that date.

The scheduled reference price for the nominated annual consumption level under the respective standard interruptible contract is given in Table B.

TABLE B	INTERRUPTIBLE GAS—SCHEDULED REFERENCE PRICE—P/THERM					
VOLUME BAND	1	2	3	4	5	6
NOMINATED CONSUMPTION THERMS/ANNUM	250,001 to 500,000	500,001 to 1,000,000	1,000,001 to 2,000,000	2,000,001 to 5,000,000	5,000,001 to 10,000,000	Greater than 10,000,000
SHORT PERIOD	29.5	28.5	27.0	25.5	24.0	22.5
MEDIUM PERIOD	28.0	26.5	25.0	23.5	22.0	20.5
LONG PERIOD	25.0	23.0	21.0	19.0	17.5	16.0

(ii) *Optional Terms at Customer Choice for an Interruptible Contract:* The options available and the price variations to the scheduled reference price are given below:

OPTIONS	SHORT PERIOD	MEDIUM PERIOD	LONG PERIOD
Extend Contract to 2 years duration	No extra charge	No extra charge	No extra charge
Price fixed for: 1 year	+3%	+4%	+5%
: 2 years	+7%	+16%	+18%
Index-Linked Contract (See Note 3)	No extra charge	No extra charge	No extra charge
Indices	50% PPI: 50% Gas Oil	50% Gas Oil: 50% HFO	100% HFO

General Notes

1. *Reconciliation*
Charges for gas will be based on the actual annual consumption. In the event that the actual consumption would have placed the customer in a different volume band from that of his nominated consumption, then a reconciliation exercise will be undertaken to adjust retrospectively charges for gas consumed in any contract year. Reconciliation will be made at the anniversary date of the contract or the termination of the contract, whichever is earlier. In the event of reconciliation the actual annual consumption will generally be taken as the nominated consumption for an ongoing or renewal contract.
If under an interruptible contract the supply has been interrupted at the direction of British Gas then an allowance will be given on a pro-rata basis for the days interrupted in ascertaining the annual consumption for the purpose of reconciliation.

2. *Multiple-Premises (Firm Gas Contracts)*
A contract will be available for the supply of gas to be consumed at more than one premises of the customer or to premises owned or occupied by its subsidiary companies provided each premises consumes more than 25,000 therms per annum. Subsidiary companies are as defined under section 736 of the Companies Act 1985.
In the event that the number of premises covered by a multiple-premises contract is reduced *no* allowance will be made for this in any reconciliation exercise.

3. *Index-Linked Contracts*
The Reference for indices will be: PPI: HM Central Statistical Office Digest
Gas Oil/Heavy Fuel Oil: Platt's Oilgram
British Gas will, on a monthly basis, notify customers with this type of contract of the variations in the value of these indices.
Index-linked interruptible contracts containing wholly oil denominated indices will contain top and bottom stop prices. The top stop will be 5% above the price in volume band 1, and the bottom stop will be 5% below the price in volume band 6 as shown in table B for medium period and long period interruptible gas supplies respectively.

4. *New Supply Contracts*
Contracts will be entered into for future supplies of gas provided gas consumption commences within the period of the contract. The supply period starts on the date that the contract is signed and the price ruling at the time gas is consumed will be calculated in accordance with the method of price determination chosen by the customer when entering into the contract.

5 *Conditions of Contract*
The notes given in this schedule summarise elements of the conditions of contract and the way in which they will be applied. They are not exhaustive and cannot take precedence over, or modify, any of the terms and conditions of the contract entered into by any individual customer.

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Registered in England: No. 2006000

Schedule 1 is for gas supplied on a firm contract basis to either single or multiple premises. Under a firm gas multi-premise contract, the total load for the premises that qualify may be aggregated to give a more advantageous price.

Schedule 2 is for gas supplied on an interruptible contract basis. There are three versions of this type of supply with different periods of minimum and maximum interruption. You will see that the traditional threshold of 250,000 therms/annum has been retained, although this will be reviewed in conjunction with the Office of Gas Supply (Ofgas) during the coming months.

Customers will be able to choose a one or two-year contract. Under the standard contract, the price during the period of the contract will be adjusted in line with the movement of the schedule for the customer's volume band and type of supply. The adjustments may be applied quarterly for firm contracts and monthly for interruptible contracts. If, however, at the commencement of the contract, customers wish to fix a price for the whole period of the contract, this may be done in return for a supplementary payment. Alternatively, customers may opt to have future price movements linked to the movements of the index published in the schedule.

In implementing the new pricing system, British Gas wishes to be as helpful as possible, and has designed a package of transitional arrangements from which customers can select the option that suits them best. These arrangements will enable customers either to:

(a) retain their current prices until the end of their existing contract period, or

(b) enter into a 12 month transitional contract to phase in any increase from their current price to the new schedule price.

Alternatively, to secure any advantages of the new schedule prices and the optional terms that are offered, customers can select a new contract from the range of options published.

The new system of pricing marks a major change of approach and customers will wish to give serious consideration to the various options that are now available. At this stage, there is no need for existing customers to take any action. British Gas is arranging for each of over 20,000 contract customers to receive a comprehensive information pack followed by a personal visit when the whole range of transitional and future options can be discussed in detail. This activity will take place over a number of weeks and customers need not be concerned if contact is not made within the next few days as this will not affect their options nor the timing of introducing the new contract terms in any way.

It continues to be the objective of British Gas to offer existing and new customers a competitive source of energy linked to a permanent and reliable service into the future.

British Gas
ENERGY IS OUR BUSINESS

UK NEWS

Lending slows sharply as UK economy decelerates

By Ralph Atkins, Economics Staff

BANK and building society *lending slowed sharply last* month as the economy showed further signs of decelerating, according to official figures released yesterday.

Lending by banks and building societies increased by £4.7bn in February, the Bank of England said. This was the lowest monthly increase for a year, and compared with £8.6bn in January.

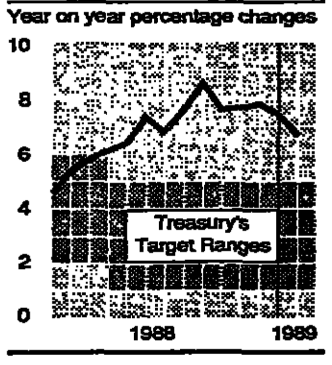
Other figures showed growth in M0, the narrow measure of the money supply, edging towards the 1 per cent to 5 per cent target range set by Mr Nigel Lawson, the Chancellor, for the 1988-89 and 1989-90 financial years. In the 12 months to *February, M0* increased by 6.6 per cent compared with 8.1 per cent in the year to January.

Overall, the statistics provided comfort for financial markets, partly offsetting worries about domestic and US inflationary pressures.

M0, which consists almost entirely of notes and coins in circulation, is closely watched *by the Treasury as a measure* of economic activity. Along with the exchange rate it is likely to influence decisions on interest rates.

Money Supply MO

Year on year percentage changes



Figures issued by the Committee of London and Scottish Bankers showed the increase in personal lending by the main clearing banks last month was the smallest since the committee started compil*ing statistics in October 1986.*

Lending for personal spending fell in February, reflecting the seasonal repayment of credit card lending, the clearing banks said. The increase in lending for house purchases was little more than half that in February 1988.

M0 fell by 0.6 per cent in February after adjustment for normal seasonal variations. Looking at the latest six months, at a seasonally-adjusted annual growth rate, it rose by 2.6 per cent – which would be within Mr Lawson's target range if it continued at the same rate.

Figures for the latest three *months at an annualised rate* show a 1.7 per cent fall, pointing to an undershoot. Unadjusted figures for the latest three months suggest M0 was declining at an annual rate of more than 6 per cent.

The Treasury said the money supply figures confirmed the welcome slowdown in the economy.

Pollution curbs urged for water bill

THE Government will be pressed to strengthen pollution control measures and safeguard public access to land owned by the water authorities when the controversial bill privatising the UK water industry returns to the House of Commons today, writes Charles Hodgson.

The three-day debate straddling the Easter recess will give ministers an opportunity to assess the level of Conservative backbench feeling about the bill, which has aroused considerable public concern.

Ministers are taking heart from the fact that the legislation has emerged largely unscathed from detailed scrutiny at the committee stage.

The Labour Party's attack on the bill will focus on measures to strengthen obligations on the new private companies to improve water standards.

Labour supports the creation of the National Rivers Authority to regulate the industry and oversee quality.

But it will demand that the authority be required to draw up a national water policy as a first step to a broader integrated pollution control policy.

The other central thrust of Labour's attack will be to ensure continuing unfettered public access to the half million acres of land presently owned by the water authorities much of which forms national parks.

A limited number of Tory backbenchers is likely to back Labour demands for tougher environmental controls and on *the access to land issue, but* opposition MPs concede that they are unlikely to force significant concessions from the Government. They are hoping to rally greater support for their arguments when the bill moves on to the Lords next month.

Proposed union law set to erode power of closed shops

By Charles Leadbeater, Labour Editor

THE Government yesterday launched its fifth round of trade union law reform since 1980, with a policy discussion document (Green Paper) intended to erode the power of the pre-entry closed shop and all but outlaw union attempts to encourage secondary industrial action.

Any job applicant refused employment on grounds of non-membership of a union should have the right to appeal to an industrial tribunal for compensation, the Green Paper says.

This would cover people who were refused a job because *they were not a trade unionist,* or who were not a member of a named trade union or because they would not agree during an interview to join a union after taking up a job. If the tribunal ruled in the worker's favour, the employer would be liable to pay compensation of up to £8,500.

The paper says that this would close the remaining loophole in Employment Act *1982, which made it unlawful* for an employee to be disciplined or dismissed because they were not a union member.

A specially commissioned survey found that the closed shop covered far more workers than the 500,000 suggested by previous estimates, the paper said. The number of workers covered by the closed shop fell from a peak of 5m in 1978 to 3.6m in 1984. The pre-entry closed shop, which requires a job applicant to be a member of a union, covers 1.3m workers. A further 1.3m are covered by post-entry closed shops, which require workers to join a union after taking a job.

Legislation against the pre-entry closed shop would affect mainly the NGA and Sogat, both print uions, Equity, the actors union, the Transport and General Workers Union's position in road haulage and London's wholesale food mar*kets,* and the National Union of Seamen, which has an agreement covering recruitment in merchant shipping.

The paper also says that professional associations, such as the Royal *College* of Nursing, should also be covered by the proposed legislation.

The Government also plans to tighten significantly the law covering secondary industrial action by limiting lawful *secondary industrial action to* pickets turning away suppliers from the workplace at the centre of a dispute.

This would sweep away complex clauses in the Employment Act 1980 which allow secondary action under *limited* circumstances.

The paper says that even when secondary action is lawful under the act it is often unjustified. It suggests that *threats of secondary* action were a factor which last year led Ford to abandon its plans *to build* an electronics components factory in Dundee, Scotland.

The law requiring pre-strike ballots should be extended to keep pace with changing employment patterns, by including freelance staff and self-employed workers on "contracts of service". As it stands *legislation* covers only workers with "contracts of employment."

Mr Norman Willis, general secretary of the Trades Union Congress, accused the Government of inventing problems with industrial relations to attack trade unions.

Hospital doctors join health protests

By Alan Pike, Social Affairs Correspondent

HOSPITAL DOCTORS and leaders of the Royal medical colleges yesterday joined the opposition to the Government's proposed National Health Service reforms.

The Joint Consultants Committee (JCC) – which represents hospital doctors on issues other than pay and has *the presidents of all the Royal* colleges among its members – warned that the Government's proposals contained risks to patient care.

Sir Anthony Grabham, chairman of the committee, said that the proposals would "involve general practitioners putting together batches of patients and sending them from one district to another in search of cheaper operations."

This, he said, *could* not be the sort of health care people in Britain wanted.

The most vocal opposition to the proposals has come from the British Medical Association and GPs.

Yesterday's criticisms from the JCC – *drawing some of* the most distinguished names in British medicine into the controversy – broadens the base of opposition which Mr Ken*neth Clarke,* Health Secretary, must confront.

In evidence to the House of Commons Social Services Committee the JCC criticises many of the details in the health care White Paper (draft legislation). It says the proposals are based on ideas drawn from other countries where "in some instances the original concepts are still experimental and in others they have already failed."

Sir Anthony warned there would be "organisational chaos" in the NHS if the Government tried to implement the proposals on its current *"totally unrealistic" timetable.*

Even if there were time, there was not enough money in the NHS to finance the additional bureaucracy.

"And even if there were time and money, the implementation of these proposals would be damaging to patient care," said Sir Anthony.

Sir Ian Todd, president of the Royal College of Surgeons, said he feared the future of medical education and research would be prejudiced.

If market forces took over in the new self-governing hospitals envisaged by the Government there would be less incli*nation for them to carry out* teaching functions.

MI jet crash report finds progressive fatigue in fan blade

By Michael Donne, Aerospace Correspondent

A FAN-BLADE in the left-hand engine of a British Midland Airways Boeing 737-400, which crashed beside the UK's main north-south motorway in January, suffered "progressive fatigue failure", a preliminary bulletin from the Department of Transport's Air Accidents Investigation Branch said yesterday.

The investigators said however that they were still trying to discover why the flight crew had shut down the right-hand engine, which was sound, rather than the damaged left-hand engine.

The AAIB's investigation, conducted in conjunction with the manufacturer, had shown that the broken fan blade damaged the high-pressure compressor and led to fire in the CFM-56-3C engine. Smoke also entered the cabin air conditioning system. The engine was produced by CFM International, which is jointly owned by General Electric of the US and Snecma of France.

Fragments of fan blades were found under the approach path up to 3¼ kilometres from the crash site near Kegworth, Leicestershire, beside the MI *motorway. The aircraft had* come off the production line last September and was the first 737-400 in service in Europe. The crash killed 47 of the 118 people on board.

The investigators said the cause of the fan blade failure in the left-hand engine was still being sought.

There was no evidence of any pre-crash fire or failure of the right-hand engine, which was shut down. The possibility of faulty engine instrument indications on the flight deck was still being probed.

Studies have shown that there were no faults in the wir*ing system leading to the* Engine Indicating system (EIS) on the flight deck. Moreover, Mr Kevin Hunt, the aircraft's captain, had said that, during the last few minutes of the descent, the indications from the engine instruments "were such as to confirm that the emergency had been successfully concluded and that the left engine was operating normally."

Yesterday's bulletin said it would be wrong as yet to draw conclusions as to the cause of the accident. *But it said there* must be further investigation of the effectiveness of engine *instrument presentations to* pilots.

The investigators are also seeking to find improvements to aircraft structures and furnishings to reduce injuries and increase the chances of surviving future accidents.

Mr Michael Bishop, chairman of British Midland, said he was satisfied that the bulletin "accurately relates the sequence of events, so far as they are known", but added that "the full investigation to establish why these events occurred will take some considerable time. We are very keen to establish exactly what was *the display of instrumentation* the crew were given."

● Environmental protests are likely over recommendations for more night flights at Heathrow airport, west of London, and a second runway at Gatwick, south of the capital, which are expected to be announced today in the House of Commons.

The report, compiled by the Commons Select Committee on Transport, is also expected to recommend that all air traffic control operations be put under an independent body, leaving the UK Civil Aviation Authority to look after air *route licensing and other regulatory* matters.

UK NEWS

High Court decision on collapsed fund will affect 11,000 people

Clowes investors 'may get nothing'

By Raymond Hughes, Law Courts Correspondent

MOST of the 11,000 investors in Barlow Clowes International, the Gibraltar arm of Mr Peter Clowes' collapsed fund management empire, could get little or nothing from any funds salvaged from the collapse, the London High Court was told yesterday.

Miss Elizabeth Gloster, counsel for BCI's receivers, said it would depend on what the court decided at a hearing beginning on May 22.

The question would be whether, on the basis of a legal precedent, only the 1,100 or so people who invested in BCI portfolios in the last few months of the company's operations could share money in various BCI bank accounts.

If the court decided that they could, then they would get a substantial dividend, whereas the remainder of the investors – more than 95 per cent of whom lived in the UK – would get "nothing, or very little."

Once the court had made its ruling, the liquidators would be in a position to pay an interim dividend before the end of July, Miss Gloster said.

Like its UK associate, Barlow Clowes Gilt Managers, BCI promoted investment portfolios it claimed were based on British government securities.

Miss Gloster said that when BCI was wound up by a Gibraltar court in June it was found that about £140m was due to investors. Only about £1.8m in gilts had been located.

Investigations had shown that about £98m of the company's funds had been "lent" to various entities, including about £66m to companies associated with Mr Clowes and about £20m to companies associated with, or controlled by, Mr Guy Cramer, his former business associate.

"Proceedings are currently on foot in this country to recover certain of those assets but there must be the likelihood that only a small amount will be recovered."

Miss Gloster said that at the date of liquidation about £18.9m was in various accounts of BCI and Barlow Clowes and Partners – a Jersey partnership which appeared to have been used merely to operate bank accounts for BCI – in Gibraltar, Jersey and the UK.

Those funds included about £3.5m in Barclays Bank in Gibraltar, about £9.2m in Lloyds Bank Finance in Jersey and about £1m in Midland Bank Trust Corporation in Jersey.

The court would be asked to decide in May whether those funds were held on trust for the later investors only or for all 11,000 investors equally.

If there were a ruling that all the investors were on an equal footing it would be necessary to decide at a hearing in late June the basis on which they were to recover – whether by reference to capital contributed less, perhaps, sums withdrawn, or by what investors had been told by the company was their entitlement.

"You will not be surprised to hear," Miss Gloster said, "that although monthly statements were sent to investors informing them they had certain percentage gains each month, it appears the figures used were highly artificial and not based on the performance of any underlying funds."

King promises clampdown on N Ireland spiral of violence

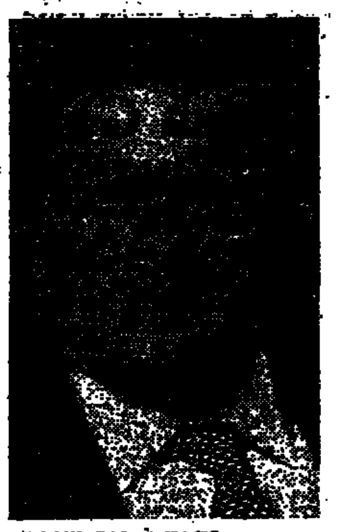
By Our Belfast Correspondent

MR TOM KING, UK Northern Ireland Secretary, said yesterday that the Royal Ulster Constabulary and the army would be taking "every possible step" to stop the spiral of sectarian murders in the province.

Ten people have died as a result of terrorism in Northern Ireland in 12 days and the security forces are particularly concerned about the increasing number of killings being carried out by loyalist paramilitary groups.

Mr King met Mr Michael McAtamney, deputy RUC chief constable, yesterday to discuss the latest killings.

He said afterwards: "A number of people have already been charged with murder or attempted murder in respect of recent incidents and several further attempts have been thwarted by the skill of the security forces."



King: determined

"What the RUC and all the security forces need at this time is the full support of the whole community in a total rejection of violence and in maximum public alertness and vigilance against these evil groups."

The latest victim was Mr David Braniff, a 63 year old Catholic father of 13, who was shot dead at his home in north Belfast.

Gunmen burst through the front door and opened fire at point-blank range and shot Mr Braniff in front of his wife.

Forty-eight hours before Mr Braniff's killing, protestant gunmen shot dead Catholic civil servant Niall Davies at his home in Glengormley.

The two killings are seen as a response to the IRA killing of former Ulster Volunteer Force leader Jackie Irvine last Thursday.

Unionist and nationalist politicians claim murder gangs are being allowed to roam at will and have called for more overt security patrolling in the district.

In some parts of Belfast the Protestant and Roman Catholic communities are separated by high steel fences but gunmen have been able to penetrate the barriers with relative ease.

An RUC spokesman said: "We are doing everything possible to combat this ever-increasing spell of sectarian murder and appeal to the public to be ever vigilant."

House prices 'still buoyant in north'

HOUSE sales and prices remain buoyant in northern England while remaining depressed in the Midlands and the south where too many sellers are chasing too few buyers according to a survey of estate agents published today, writes Andrew Taylor.

The survey of 164 English and Welsh estate agents by the Royal Institution of Chartered Surveyors reports a mixture of static and falling prices in areas outside of northern England, the north-west and Yorkshire/Humberside.

The survey does not include Scotland where prices and sales have also been rising.

The institution said just over half the agents questioned last month said prices had not moved in the last three months, while 17 per cent said prices had fallen against 32 per cent of agents which said prices had risen.

Most of those reporting price rises were in the north. Not a single agents questioned in East Anglia reported an increase while almost 37 per cent of said house prices had fallen.

Hong Kong group to set up £20m plant in north

By Hugo Dixon

THE Government has given £5m to Swilynn, a Hong Kong manufacturer of video tapes, to help it set up a £20m factory in the unemployment black-spot of Hartlepool in the North East of England. The investment will create 500 jobs.

The plant is said to be the largest inward investment project by a Hong Kong manufacturer in Europe and another sign of how Far Eastern companies are establishing plants in the Community before the 1992 single market.

Swilynn is one of several Far Eastern manufacturers which have been accused of dumping video tapes in Europe. The European Commission imposed provisional duties on the company last December.

Critics have argued that companies from the British colony cannot be dumping products at artificially low prices in Europe because their home market is too small to generate sufficient cross-subsidies. The Hong Kong government has taken the unusual step of pleading the case of the colony's manufacturers itself.

Swilynn's financial advisers, Price Waterhouse, the accountants, denied that it had been forced by the anti-dumping duties to set up a plant in the UK, although it said this was a factor. The main reason was a desire to build its presence in the European market, where it has big ambitions.

Although the machine tools would be imported from Japan, West Germany and Switzerland, local content would be "high", it said. The factory is expected to make 1.2m cassettes a week when in full production. Swilynn, a private company owned by P.W Ngan, a Hong Kong Chinese entrepreneur, is expected to generate worldwide sales of about £40m in the current year, according to Price Waterhouse. The company already has plants in Hong Kong and Malaysia.

Citicorp sells London discount house

CITICORP, the New York banking group, has sold Seccombe Marshall & Campion, the London discount house, four years after buying it, writes David Lascelles.

The purchaser is Compagnie Parisienne de Réescompte (CPR), France's largest discount house, which is making its first substantial venture abroad. No price was disclosed.

Mr John Robertson, head of Citicorp Investment Bank in London, said his bank had reassessed its presence in the UK discount market in light of changes there in recent years. Last year, a similar reassessment prompted Citicorp to withdraw from the gilt-edged market.

Mr Robertson said Seccombe continued to operate profitably and that the sale would not affect Citicorp's commitment to preserve a presence in the sterling money markets.

Seccombe is one of the smallest of the City of London's limited number of traditional discount houses, which act as intermediaries between the banking system and the Bank of England, but whose exclusive territory is being opened to newcomers. It has a net asset value of about £11m and employs 28 people.

The price, although undisclosed, is understood to represent a premium of about 10 per cent over net assets. Citicorp is believed to have been seeking a buyer for nearly a year.

Waste sites due to be announced

SELLAFIELD in Cumbria and Dounreay in Caithness – both existing nuclear industry sites – are the two most promising locations for Britain's first underground repository for radioactive wastes, writes David Fishlock.

This conclusion from a year-long investigation by UK Nirex, the company responsible for nuclear waste disposal, will be announced today.

Both locations have indicated a readiness to host the £1bn, seven-year construction project, with guaranteed employment prospects for decades. Nirex, a company owned jointly by the British nuclear industry, failed to identify a third possible community that might accept a repository, as it had hoped.

The project consists of a "warehouse" 1,000 feet or more underground, designed to take wastes encapsulated in cement, sealed in steel drums.

The Government has decreed that such a repository must expose the public to a radiation dose of no more than 0.1 milliSievert a year.

The survey to find sites was planned after Nirex received government permission to abandon its earlier £18m quest for a site for a shallow repository, for low-level radioactive wastes, after strong opposition.

World clearance and settlement systems

Group of 30 publishes reform package

By Clive Wolman

THE GROUP of Thirty, an international body comprising mainly bankers that studies international financial and economic issues, has produced nine recommendations to remedy deficiencies in the clearance and settlement of securities transactions, particularly in their lack of international compatibility.

The Group has identified these deficiencies, which generate additional costs and risks, as follows:

●There are no compatible systems for confirming and matching domestic and international transactions.

●The periods between transacting and settling share bargains differ between different markets, from the same day to several weeks.

●There is no general requirement that shares should be delivered against cash which means that one of the parties to a transaction is unduly exposed to risk.

●There are no standardised trade guarantees.

●Many markets lack a book entry processing system for the settlement of securities transactions.

The nine recommendations are as follows:

1. The confirmation and matching of all trades between direct market participants, i.e. brokers, broker dealer and other members of the stock exchanges, should be completed no later than one day after the transaction date.

2. Indirect market participants such as institutional investors should by 1992 be members of a trade matching system which achieves positive affirmation of trade details.

3. Every country should have an effective and fully developed central depositary for securities organised to encourage the broadest possible industry participation.

The depositary will allow shares to be transferred from one investor to another by book entry, i.e. recording debits and credits in a ledger, while the underlying paper certificates are "immobilised" by being held in the depositary. The report says that either the shares should be "dematerialised", i.e. held in electronic form on a computer, or if this is not possible, then the depositary should itself be able to act as a nominee for the beneficial owners of the shares.

4. Every country should consider setting up a trade netting system, to be introduced by 1992, if market volumes and participation justify it. The netting of transactions can take three forms: bilateral, where all transactions in the same security between two parties are netted to one final delivery versus payment; multilateral, where all trades in the same security are netted to a final position for all the participants; and continuous, where all trades in the same security plus unmatched trades are continuously netted to a final position.

5. A delivery against payment method should be introduced in all markets by 1992. This can be achieved either by using a central depositary which combines clearance and depositary functions or by separate clearing and depositary systems. Systems have to ensure that securities are delivered only against a certified cheque or other means of payment.

6. Payments associated with the settlement of securities transactions and the servicing of securities portfolios should be made consistent across all types of securities and markets by adopting the "same day" funds convention. At present, some markets follow this convention and others follow the convention of "next day" funds for depositing the payments in the assigned accounts. Ideally, an electronic cash clearing system should be introduced for all transactions to eliminate the drawing of cheques.

7. A three-day rolling settlement system should be introduced in all markets by 1992, with a five-day rolling settlement set as an interim target by 1990. At present, there are a vast variety of conventions. Whereas New York has a five working day rolling period between the striking of a transaction and its settlement, London follows a system of fixed fortnightly accounts with a settlement date six working days after the end of the account period.

The ultimate aim is to have transactions settled on the same day as they are struck, the report says, but this will require far more centralisation and automation than is feasible except in the long term. However government bonds and money market instruments are often subject to same day settlement even at present and this practice should continue.

8. The lending and borrowing of securities, to expedite settlement, should be encouraged and existing regulatory and taxation barriers dismantled by 1990.

Stock borrowing can often be used to break a chain of unsettled bargains because one party has been unable to deliver on time the securities due.

9. Every country should adopt by 1992 the standard number system and conventions for messages developed by the International Organisation for Standardisation. At present many countries have their own different systems.

British Gas sets schedule of industrial price rates

By Steven Butler

BRITISH Gas yesterday published a schedule of fixed prices for industrial gas users for the first time and said it would lose about £75m of pre-tax profits as a result of the new system, which was forced on the company following an investigation by the Monopolies and Mergers Commission.

Mr Robert Evans, British Gas chief executive, said most of British Gas's 20,000 contract customers would see prices lowered. Prices would rise for about 8,000 customers.

Mr Evans, however, cautioned that many uncertainties remained about the impact of the system and that it was impossible to predict how its customers would react. This meant that estimate of the loss to pre-tax profits may be off by up to £15m.

Mr Evans also said British Gas was allowed to adjust the prices within 28 days of their issue, and would do so if it found the prices put it at a competitive disadvantage to other fuels.

The prices take effect on the May 1, although customers facing price rises can to phase in the new prices over a year.

The prices range from a high of 34p per therm of gas, for customers using less than 50,000 therms a year but requiring an uninterruptible supply, to a low of 16p per therm for customers using more than 10m therms a year and willing to see supply cut off for long periods.

The Gas Consumers Council, which represents industrial users, complained these prices this would still leave British industry paying about 25 per cent more for gas than its competitors on the continent, with consumers in Holland, West Germany, France, Belgium and Italy all paying less.

Social work takes on a whole new meaning

Richard Gourlay on an enterprise that sets high standards for its employees — Manila's 'disadvantaged' slum-dwellers

Marie de la Soudière was getting nervous. Orders were rising and could pour in after the Frankfurt trade show where her nightgown collection would be shown and she was uncertain she could train enough seamstresses while maintaining export quality. She cast a critical eye over some complicated pin tucking a woman was stitching, toyed with the idea of buying better sewing machines and then left to clear up a letter of credit problem with the bank.

An ordinary day perhaps in the life of a small businesswoman but de la Soudière was in a squatter's "house" the size of a dining table sandwiched beneath a busy city bridge and above a stagnant river. This hovel in central Manila's Penafrancia barrio is a world away from the chic Paris boutique and Geneva's Bon Genie department store where the nightgowns sell for over $60.

Yet far from being another third world sweatshop exploiting nimble-fingered women, de la Soudière's non-profit making foundation is bringing work and a little opportunity to people whose slum reminds them daily that they are society's also-rans.

The gloriously-named THEA foundation (Thread of hope for economic advancement) grew from de la Soudière's interest in helping street children. From similar work in Khartoum as a psychiatric social worker she believed that "behind every street child was an economically depressed family." She decided to train slum women who were prevented, through having children and by lack of skills, from getting jobs even in the lowest reaches of the job market.

But de la Soudière has applied hard-nosed business practices and is now challenging some of the more conventional concepts of work-for-the-poor by using strict quality control and some refreshing ideas about product design.

From the start nearly two years ago she wanted a product that commanded large mark-ups because it was good, not because it was made by slum dwellers. She found the way people make allowances for second-rate handicrafts because they are made by the "disadvantaged" patronising and in the long term a disservice to the poor themselves.

Using her French flair for design, de la Soudière painstakingly began to teach slum dwellers to sew 14 styles of classical Victorian, 100 per cent Shanghai cotton nightgowns. THEA supplied the training, interest-free loans for sewing machines, the cotton and lace and sometimes a brutally critical eye. The women supplied their often considerable but equally often buried talent.

THEA first had to come to terms with the squatters' survival mentality; they had been in the slums for decades and had an in-bred passive acceptance of their lot. "We wanted to create the belief that they could do something for themselves," de la Soudière says.

She then met the sort of problems any small business might face — dependence on single sources of supply and the need to build stocks while the project was still not a bankable proposition. But some of the challenges were peculiar to THEA.

"How do you juggle growth?" she asks. "While I was not sure it could work I did not want to raise the expectations of the workers and we actually chose not to expand."

Only late last year did de la Soudière realise that THEA could survive and she had the courage to admit "the project would die if it did not grow."

She moved a small army of squatters carrying out the quality control, washing, ironing tasks and training to a larger building and started wrestling with ways of financing more sewing machines and stocks of imported material. She is still wrestling with the problem and, now that THEA can stand on its own feet, covets the grants some older foundations receive, although there is no official government help.

Then there was the backdrop of poverty. It took a long time before THEA's workers learnt to distribute fairly what at times was scarce work. "The instinct was to climb over other families to look after their own," de la Soudière says. It remains a problem but a diminishing one as the supply of work increases.

Quality control early on was perhaps the hardest part — for the slum dwellers and de la Soudière alike. "Sometimes the women would say they had not sewn a pin tuck straight because a truck passing overhead shook their house beneath the bridge," de la Soudière says. Nevertheless the garment would be rejected and payment withheld.

While most factories in Manila pay the minimum wage of around $3 a day, a substantial part of Philippine garment making is subcontracted to home sewers. These people are paid a third to a quarter what THEA pays its seamstresses per item.

As THEA evolved de la Soudière had to cast aside some of her original idealism. She abandoned the idea that each worker completes an entire nightgown; tasks are now specialised and the women only sew an entire garment during training.

She has also bent her rules on not employing women who could work elsewhere because she learned early on that strong leaders were needed.

Other ideals stuck. When there was shortage of work it was rationed, not distributed on a first-come-first-served basis which pure productivity considerations would have dictated. THEA is also planning to help set up day care centres to keep children off the streets and out of their mothers' hair — which should raise productivity.

For community and personal development, THEA deducts directly from the $4-$5 a day a good sewer might make: 5 per cent for a community fund to help finance projects like day care centres for children and possibly a family planning programme, 10 per cent in forced savings which is paid directly into a personal account and 20 per cent to repay the $80 cost of the sewing machine.

De la Soudière had no previous experience and calls herself a socialist for whom learning about business was an eye-opening pilgrimage. She thumbed through business books before opting for a 25 per cent margin on her $12 export price and it came as some surprise that by the time her nightgowns arrived in the boutiques the trade had added a 400 per cent mark-up.

The foundation is still very new. Until the Frankfurt trade show there was no formal marketing; that will have to change.

De la Soudière says she wants to double both capacity, to 2,500 units a month, and the number of trained seamstresses, to 100, in six months in four sites in Manila. But there are already daily production problems.

For the squatter women, the pride in their first savings and the opportunity to own sewing machines is already a breakthrough. "We are glad to be exporting our skills to other countries," says Leonila Brioso, the shrewd occupant of the least airless house beneath the bridge who has emerged as a project co-ordinator.

And of course there are still failures. Of two squatters who left professional begging in the busy nearby streets to join THEA, one is still attending much less remunerative training sessions, and the other dropped out and took to sleeping with her three children in a park near the statue of the Philippines' national hero.

De la Soudière is not the only social worker to try to encourage very poor people to make products specifically for rich export markets. But she thinks there is greater potential for wood, leather and some "ethnic" products. "Developing countries should hire designers to develop products and finishing to the standards and tastes of the market," she says. "Non-governmental organisations should give grants for the hire of product designers."

Taking the idea one step further, famous sculptors, painters and designers could be recruited to lend their names to a label if the quality is good enough. This would guarantee higher margins, she says.

THEA faces one more immediate worry. De la Soudière is about to leave Manila with her husband for his next assignment with the UN High Commission for Refugees. Like many other small enterprises that become dependent on one key person, THEA is losing its dynamic founder just when she is most needed.

Marie de la Soudière's workers live in shacks sandwiched between a city bridge and a stagnant river

Where marketing has taken a back seat

Charles Batchelor on the west Midlands furniture industry

A sobering view of the pressures facing small manufacturing businesses is presented in a recent study* of the furniture industry in Sandwell in the west Midlands.

The study located 53 companies employing 1,426 people (an average of 27). A high proportion were in the low margin, upholstered sector and relatively few in the high margin kitchen, office and contract sectors.

Firms making upholstered furniture were typically organised as craft businesses using low-skilled manual labour, only limited mechanisation and with a low level of design expertise.

Marketing was not based on any strategy and was usually carried out by agents, leaving the manufacturers generally ill-informed about market trends.

The companies surveyed tended to deal exclusively with independent furniture retailers, which themselves are losing market share to the discount stores.

Those firms which did want to increase the efficiency of their production or improve their design and marketing often lacked the resources to do so, the report noted.

A number of companies had entered the more profitable contract furniture sector, making furniture for public authority use, but were experiencing a squeeze on quality standards and faced the prospect of increased competition as public sector tenders are made more accessible to other European Community companies.

Almost all of the companies complained of a shortage of space while some were critical of the structural condition of their factories. The tougher flammability standards which were recently introduced had increased the cost of materials and disrupted production, they said.

The report called for a forum, including industry and local authority representatives, to be set up to promote and develop the furniture sector and for a design consultant to be appointed to provide advice. It urged the council to encourage the development of more factory units and to publicise the assistance available to small firms.

*A Study of the Furniture Industry in Sandwell. Commissioned by the economic development committee of Sandwell Metropolitan Borough.

In brief..

■ The Fourth Annual Gallaher Business Challenge has been launched with a top prize of £10,000 for any Northern Ireland-based enterprise employing up to 75 people.

The award is for the company which demonstrates the best example of small business enterprise while additional prizes of £3,500 and £2,500 respectively go to a business which has been trading for fewer than three years and to a business which has made an outstanding contribution to its local community.

Contact David Brown, Co-ordinator, Gallaher Business Challenge, Freepost, PO Box 9, Newtownabbey BT37 9BR. Tel 0232 866675. Closing date for entries May 27.

■ Entrepreneurs who want to start up a technology-based business face particular difficulties in developing an untried product and in raising finance — on top of the usual problems which face the new company.

To meet the needs of these companies Lloyds Bank has teamed up with the Production Engineering Research Association (PERA) to offer expert advice on technology, engineering and business questions.

The Innovation and Technology Advisory Service will provide a free telephone "hotline" for brief enquiries on subjects such as patents, purchasing and materials supply. For more in-depth advice and research PERA will provide a consultancy service at its normal rates.

Contact Lloyds Bank branches.

■ Britain's 38 science parks now give a home to 807 companies employing more than 10,500 scientists and technicians. Many of them will meet at the fourth annual conference of the UK Science Park Association in Edinburgh on April 6 and 7. The conference will discuss the role of the parks in promoting innovation and the transfer of technology.

Contact Conference Co-ordinator, Mrs Pamela Austin, Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London EC4V 3PD.

■ Focused programmes aimed at preparing companies for the single European market are starting to emerge from the mass of generalised exhortation which has marked much of the publicity surrounding 1992.

A one-year programme for small and medium-sized manufacturing companies in Birmingham is to be launched in May. The course comprises three strands: marketing and business skills; foreign languages; and market research and strategic planning.

The course, which is free, has the backing of Birmingham City Council and the European Social Fund and will require six hours work a week. It is open to up to 50 businesses in the city.

Contact Kim Davies, Birmingham Project 1992, IC Ltd, Aston Science Park, Love Lane, Birmingham B7 4BJ. Tel 021 359 0981.

■ Seven local enterprise agencies in Norfolk and Suffolk have formed a financial marriage bureau to help small firms raise equity capital in amounts of between £20,000 and £100,000, sums too small to interest the venture capital industry.

The agencies will hold meetings to introduce firms seeking funds to investors and produce a regular information bulletin. They will link with the Cambridgeshire Financial Introductory Service to bring together investors and companies across all the three counties.

The agencies involved are in King's Lynn, Norwich, Great Yarmouth, Ipswich, Lowestoft, Bury St Edmunds and Sudbury.

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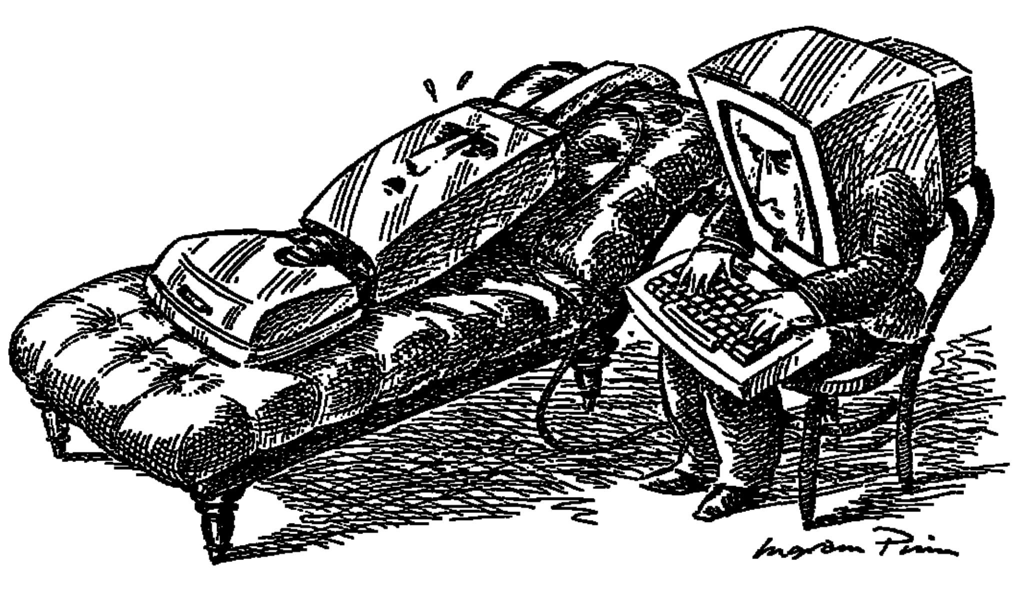
TECHNOLOGY

Key to maintaining machines in health

Clive Cookson looks at the computer systems designed to take the pain out of after-sales service



The breakdown of a large domestic appliance can trigger a nightmare of frustration for the householder. Your first few telephone calls to the manufacturer's service centre are greeted by an engaged tone; when you eventually get through, the assistant cannot offer you a visit from a service engineer for several days; and when you take a morning off work to wait in for the engineer he turns up without the crucial spare part in his van.

However, such nightmares could recede as the main appliance manufacturers begin to use mobile communications and computerised service management systems. These organise engineers in the field far more efficiently than the old manual systems and ensure that they always carry the right parts.

In the corporate sector, too, information technology is improving the speed and quality of service. Computers and some other electronic equipment now contain a range of internal sensors and software which automatically alert the manufacturer or service provider if something needs attention. Problems can be diagnosed via a telecommunications link at an engineering centre thousands of miles away – and if the trouble is being caused by defective software rather than hardware, it can often be corrected from a remote terminal.

A company wanting to establish automated service management can either develop a system tailored to its requirements or buy one of the growing range of off-the-shelf software packages.

More than 30 service management packages are available. Some are simple programs for logging customers' calls and allocating the resulting work to the available engineers. The more complicated systems cover everything from logistics and parts control to technical analysis and financial accounting.

One of the most comprehensive packages, Servasure, was developed by Copystatic, a UK company which started life servicing photocopiers in the Midlands. Servasure has been bought by 50 large companies, including many computer and telecommunications manufacturers. Nokia of Finland and Ericsson of Sweden are planning international service operations based on Servasure.

"We decided from the start not to develop our own software for servicing, but to buy a standard package because we want to concentrate our resources on developing software for telephone switching equipment," says Robert Hellsten of Ericsson. The company's first Servasure installation will control 400 service engineers who maintain Sweden's mobile radio system.

On the other hand, Philips developed in-house the service system introduced by the company's major appliances division in the UK. One feature is the way the computer divides up the service calls geographically, on the basis of the callers' postcodes. The engineers are allocated whichever calls produce the most convenient routing for the day.

Jim Freeman, Philips's service director, says that within three years any customer with a home computer and a modem will be able to book a service call directly via a data link to the Philips system, without having to go through a human operator. The company's dealers already use viewdata terminals to order spare parts, receive technical information and book service calls.

Each of the 215 Philips appliance service engineers in the UK has a hand-held Telxon microcomputer. The engineer plugs it into a telephone socket when he gets home from work, and the micro sends details of the jobs he has carried out during the day to the branch office computer (a Philips P7000).

The information fed in includes the spare parts used, so that the engineer's van can be restocked. Instructions on the next day's work are sent back to the engineer's micro.

The Telxon micros have small printers attached, which the engineers use on the job, for example to print out statements for customers or "Sorry you were out" notes.

Freeman says that computerisation has greatly reduced the paperwork required to run his service operation. But, he warns, "when you move to a computer system there is a danger that incomplete jobs, which stick out in a manual system, can get locked away in the computer. So it's important to program the system to highlight customers who have been waiting too long and bring these exceptions to the manager's attention."

An increasing number of companies are buying portable computers for their service operations. Rank Xerox, for example, is equipping its 1,800 field service engineers in the UK with cellular telephones this year; next year it plans to issue them with portable computers which will be linked into the cellular network. The engineers will then be able to send and receive technical information while they are on the road.

Copystatic has announced a "fault pattern analysis" module for its Servasure system, which will improve the technical advice available to a field engineer. If he or she enters the symptoms of a particular problem on a portable terminal, the system will transmit the 10 most likely diagnoses in order of probability, followed by a list of remedial actions.

In the long run, remote on-line diagnosis and repair should reduce the number of maintenance visits required. Xerox is designing the "electronic screwdriver" concept into its latest photocopiers. The idea is that the machine contains sensors which alert the service centre of any impending problem before it affects performance. The service engineer will then send electronic messages down the line, instructing the machine to make the required adjustments, for example tightening up a drive belt.

However Mike Fox, of the UK computer company ICL, who is European vice-president of the Association For Service Management International, warns that customers do not always appreciate the improvement. "A number of companies that introduced remote techniques initially got a negative reaction because people missed the human interaction with the service engineers."

Making a diagnosis at 6,000 miles

THE GREMLINS in the Financial Times computers could not have chosen a worse time to disrupt the system. For about two hours last Tuesday evening, when editorial work on the newspaper's Budget coverage should have been reaching a crescendo, journalists were fuming in front of frozen computer screens.

A vital stage in the computerised production process had failed – articles could not be transferred from the journalists' terminals to the memory disks of the main computers – and the FT's systems experts did not know how to correct the fault. There was a danger that no FT would be produced on the most important night of the UK financial calendar.

The problem was solved just in time to save the newspaper's main print run, by a team of specialists 6,000 miles away in California. In a dramatic illustration of remote diagnostics, engineers at the Sacramento headquarters of SII, the system's supplier, used an international data link to tap into the FT computers and probe their inner workings.

The SII software experts were horrified by what they saw. The Tandem computers, on which the system runs, were clogged with more than 300 articles that should have been stored on the memory disks. Yet there were none of the error messages that the system should display when it runs into trouble.

"We had never seen a similar problem on any of the 200 other systems running the same software," says Eric Gottfredson, SII's director of software support services. "The system was in trauma, but not showing the normal signs of trauma."

Under intense pressure from London to try to save the issue, the engineers in California decided to shut off a piece of software that was working much too slowly – the "Textwrite" program which controls the recording of the journalists' text on disks.

"This is like carrying out radical brain surgery," Gottfredson warned David Jones, who is responsible for the FT computer system. If the operation went well, the back-up Textwrite program would take over smoothly. All the hardware and software components in Tandem's "fault tolerant" computers are duplicated so that if anything fails its twin can take over.

But since the precise nature of the software problem was unclear and the system was by then "in severe trauma," there was a danger that some of the articles queueing up to be filed on disk would be lost when the faulty program was shut off. Apart from the impact that would have had on the newspaper's Budget analysis, there could have been other damage to the system.

Fortunately, the operation worked perfectly. The system recovered within a few minutes and the copy was saved.

However, it is still not clear what caused the problem. SII experts are analysing everything recorded by the FT computers during Tuesday afternoon and evening, but there may not be enough information to pinpoint the cause. They have set up a new monitoring procedure.

"The episode is a vivid reminder of the vulnerability of time-sensitive businesses to problems of technology," says David Jones. "But it also shows how important remote on-line diagnostics can be when something does go wrong."

Gottfredson says that the architecture of Tandem computers makes them particularly well suited to remote diagnostics. A terminal in Sacramento was connected to the FT system, via an X.25 international data link, within five minutes of SII receiving the distress call. "We could do anything on our terminal that we could have done sitting in the FT building in London," he says.

Fibre optic lighting heads for cars

By John Griffiths

FORD, the US multinational, is developing fibre optic lighting systems for cars, and they could be incorporated in production models as early as 1995.

Clues to Ford's thinking on the subject emerged when the Ghia Via, a concept sports car produced by the company's Ghia design house subsidiary, was unveiled at the Geneva motor show earlier this month.

The technology, being developed by Ford's engineering and design office in Dearborn, Michigan, has the potential to give car designers unprecedented freedom in several areas:

- Frontal styling – fibre optic "headlights" can be as little as 1 cm high.
- Aerodynamics – in the absence of conventional headlights, car fronts can be made smaller to reduce drag.
- Light source (typically a strong halogen bulb) – this can be enclosed in a box and located virtually anywhere, even amidships, because the fibre optic cables will readily "bend" the light on its path to the car's exterior.

According to Gene Windross, the product designer in charge of the project, the first application is likely to be in sports models which would otherwise use electrically operated pop-up headlights. This is because the initially higher cost of the fibre optics would be off-set by doing away with the pop-up lights' complicated electric motor system.

As production of fibre optic components builds up and economies of scale are achieved, the technology could be transferred to more "ordinary" cars.

Ford got the idea of exploring fibre optics for vehicles from their use in internal medical examinations.

On the Ghia Via, the fibre optics are enclosed in wafer-thin clusters positioned at the base of the windscreen. Each consists of nine separate optic fibre units. Together they are claimed to provide the equivalent illumination of a conventional halogen system and they can be programmed to operate as fog or spot lights.

Fibre optics from the same light source are used in the driver's instrument panel, in which the illuminated needles appear to float in space within a transparent binnacle.

Light is projected through small round lenses placed 1cm from the end of the fibre. The total flexibility in their numbers and in the shape of the cluster means that any combination of high, low, fog and spot beams can be created.

By capturing more of the generated light than is possible with a conventional parabolic reflector, it should be possible either to obtain more illumination from a light source of equivalent power to a conventional system, or the same illumination from a smaller, less powerful source, says Windross.

The flexibility of the system is such that a separate enclosed light source can be used for rear lights and internal illumination.

"Headlight" fibre optics could be spread in a thin line across the car's bumper, or tucked away within the engine grille to the point of near invisibility, according to Ford.

Separate spotlights could also be virtually unnoticeable. Initial tests are said to show that just one fibre, with a square lens a quarter of an inch across, is capable of throwing a 50 ft beam with no discernible light scatter.

The Ghia Via concept sports car with fibre optic lighting

ARTS

Life after Bricks

William Packer reviews abstract sculpture

The current balance in painting and sculpture may well be weighted in favour of the figurative and the representational, but only the most rabid of post-modernist revisionists would argue from this that Abstraction is the great heresy of modern times, a snare and delusion for the gullible artist and an embarrassment better forgotten.

The truth is that the investigation of imagery that referred directly to nothing external but only to itself was inevitable, and has proved over the years extremely fruitful. If so many artists appear to have turned again to other, perhaps older preoccupations, it is only because the point has now been made. Abstraction is an established and legitimate area of expression, available for any artist to explore and develop. It is not going to go away.

The point is worth remaking only because the artist now showing at Anthony d'Offay (23 Dering Street, off New Bond Street W1: until April 15) is Carl Andre, he of the bricks. Andre is certainly a rare artist in one respect, for by that single ancient controversy (can it really have been 13 years ago?) he achieved a notoriety in the public mind quite independent of any actual acquaintance with his work. The very idea of it was enough to make him the Great Bogey Man of modern art, which, for the conceptual artist that he is, had its ironies to savour.

The seven works in the exhibition show us that, in the meantime, his work has changed and yet remained much the same. All date from the 1980s, with the four from this year all the more familiar for being made of the same rolled steel plate that he was using 20 years ago. There are no bricks, unless blue limestone blocks or lumps of lead may count as bricks. The disposition is no less familiar, with the steel plate cut into square tiles and variously laid across the floor, the blocks of stone set in an insistent contrapuntal line running from one gallery to the next, now on end, now flat. The lead lumps are made up into a simple cube.

Each such arrangement proposes its natural variations and alternatives and yet forces attention upon itself, its very simplicity challenging a response. Quite how do we respond to so particular yet obvious and humble a pile of lumps of lead? Such reductive simplicity engages the mind with thoughts of structure and principle, the commonplaces of the constructivist tradition. The physical engagement, through sense of touch and the shared space, is the more teasing and ambiguous.

These things are elegant enough, which is the lesser achievement, given the formal constraints and physical qualities of the material – even those Bricks were elegant. But they are also surprising, which quality leads us into deeper levels of experience. The largest of the works, for example, is the Roaring Forties, a pavement of weathered and rusty steel tiles, no more than an eighth of an inch of an inch thick, that all but fills the floor of the main gallery. Thin enough perhaps, but that marginal thickness makes all the difference to the visitor coming blithely through the door to find himself at once on and in the middle of the piece, in defiance of all taboo against violating a work of art.

Once on it, he cannot but feel it in the most curious way through the soles of his feet, by now by so much off the floor. It is by being forced to consider directly one's own physical and imaginative experience of the world, and thus one's mortality, that the true work of art of any kind is tested. Carl Andre has always been true to his art, and to himself in his art. His "silent forms" do sometimes tease us out of thought, and we all know what Keats went on to say of Truth and Beauty. It is the Beauty that is so surprising.

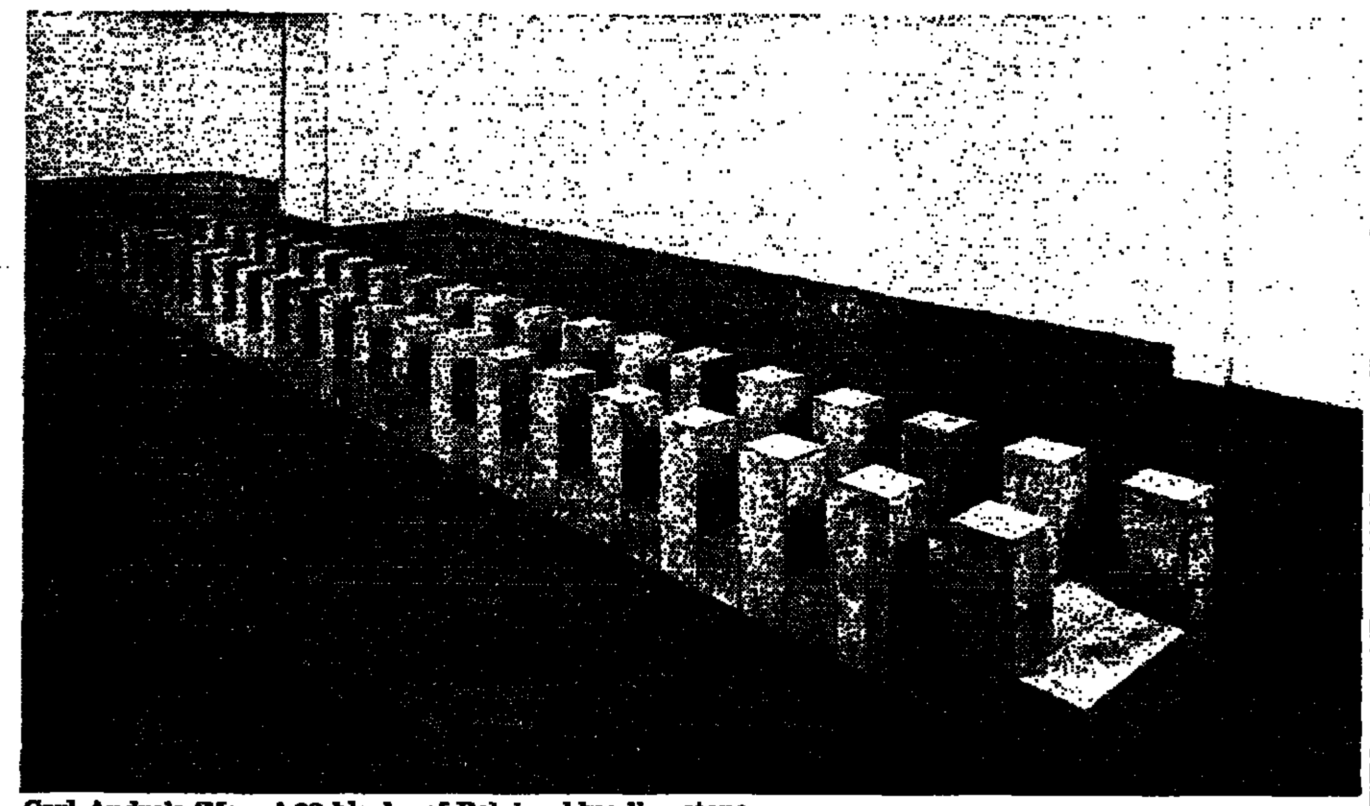
*

By contrast, the two solo shows at Annely Juda Fine Art (11 Tottenham Mews, off Tottenham Street W1: until April 15) seem positively baroque, though in truth they are as disciplined and restrained. It is only that in them the formal structures are but the vehicles rather than the actual material subject of the imagery. Michael Michaeledes is Greek, indeed represented Greece in the Venice Biennale of 1976, but trained in England where he has long continued to live and work. His medium is the canvas itself, which he stretches across the supports and armatures he builds to the purpose, cusping and bevilling and variously forcing the material proud of the conventional picture plane and the surface of the wall.

He is also an architect, and his imagery is manifestly architectural, the several elements of his reliefs combined into arches, tiers and colonnades. He often leaves the canvas in its raw, pristine state, with only the fall of light and shadow to describe the particular conformation of form and space, and the ambiguity of relief to suggest recession or perspective. They are as assured, seductive and imaginatively engaging as ever.

Lately he has begun to introduce elements of colour, inspired directly, perhaps, through his interest in the colour theories of Josef Albers, whose conventional format of enclosed squares he openly follows in some of the smaller works. We must wait to see quite where this will lead him, for colour will always draw relief close to the pictorial.

The lower gallery holds recent work by Caroline Lee, an American artist showing in London for the first time. She too makes reliefs in various materials which are nothing if not colourful, whether painted, patinated or glazed. They are small, asymmetrical and composed of elements, each of an integral colour, set together as in a simple abstract jig-saw – of the sort that we give to children to develop recognition and coordination of the simplest shapes. And they are as deeply and oddly satisfying, each solid element, consistently inches thick, clunking into to the slot established for it by mutual definition with its neighbours and partners. They, too, are beautifully surprising.



Carl Andre's 'Mons:' 92 blocks of Belgian blue limestone

La Sylphide

ANTWERP OPERA HOUSE

The ageing process for ballets combines loss of step and style with a sharpening of effects, and whatever the other depredations of time, certain essential qualities persist and become more potent with the years. So *Giselle* or *Swan Lake* may no longer much resemble what their creators made, but yet contain – in stagings of credible lineage – truths that affect audiences as profoundly as at any time in their history.

The Bournonville repertory, carefully tended by the Danes, has been so intimately linked with a way of dancing that it has kept much more of its first manner than the Russian classics. Even so, Bournonville texts were being edited by their choreographer. The present Danish *Sylphide* is the fruit of pruning and excision that have across the years shaped a production which is now a quintessence of Romanticism.

In making a new version for the Dallas Ballet two years ago, Flemming Flindt – eminent Danish dancer and choreographer – took a fresh look at his heritage. By restoring passages that had long been excised, by opening musical cuts, he sought a production that reasserted an original balance between the real and otherworldly elements in the tale, and plumped out the central characters. This version has now been acquired by the Royal Ballet of Flanders, with whom I saw it on Saturday.

Two major innovations are the extended writing for Madge and her coven of witches at the start of the second act, and the creation of a scene – owed not to Bournonville but to the Taglioni original of the ballet – in which the sylph dances with James and Effie, making clear the lure of the unknown which will precipitate the tragedy. Certain smaller additions also fill out the text, and James and the sylph have an extended duet in the second act. These are owed to Flindt's researches made in Danish archives, and are seamlessly interwoven into the text, the new dances in the master's style easily matched with the established Bournonville choreography.

The result is, for the greater part, pleasing and logical: the rivalry between James and Gurn adds dramatic fuel to the drama, and Gurn becomes less of a cypher, the new text for James and the sylph is attractive. The much lengthened witches scene seems to me to be more questionable, albeit historically authentic: comic or chilling, it adds little to the power of Madge's presence in the crucial moments when she drives the action malignly forward. The new trio – like a similar sequence in Peter Schaufuss' version for Festival Ballet – harks back to another Taglioni vehicle, *L'Ombre*, in which spectral and actual forces combine in a battle for the hero's affections. Here it reasserts a central dilemma of Romanticism and of the ballet – the pull between real and illusory love.

The staging is fluent, and given traditional design by Roger Bernard, with fetching costumes by Anna Anni (though some of the men's kilts have a distinctly "new look" amplitude). The Flanders dancers are everywhere alert, well-mannered and well schooled, and the bounce and gentle ways of the Bournonville style give the right colour to the choreography. The heart of the performance I saw was the sylph of Vinciane Ghyssens, a being of gentlest sincerity, with melting poses, flying steps and drifting tarlatans, and the whole battery of Romantic feeling and Romantic technique sweetly displayed. Pablo Savoye and Noah Gelber were the James and Gurn, physically matched as a pair of slender and accomplished danseurs, though as yet missing something of the fire that must blaze in Romantic drama; other roles were aptly taken. The staging suits the company very well, suggesting both the continuing truth and attraction of this old ballet, and the potential of a gifted and youthful troupe.

Clement Crisp

Sinfonietta 'Explorations'

QUEEN ELIZABETH HALL

The London Sinfonietta's "Responses" have become regular South Bank events in which a weekend's worth of concerts is concentrated upon two or three prominent contemporary composers – the past in two weeks' time, for instance, features the music of Gorecki and Shnitke. But the emphasis of "Explorations" is different; in these diversity is to be the key, and the object to present a showcase of work by younger composers together with workshops, talks and the active participation of the composers themselves. The main events of the Explorations on Saturday and Sunday were Sinfonietta concerts conducted by Oliver Knussen and Diego Masson. Benchmarks, works of proven pedigree, were included – Knussen's *Coursing* and Simon Holt's *Canciones* – but the programmes boasted eight premières of one kind or another, even though the most eagerly anticipated, the first performance of Knussen's own *Songlines*, commissioned by the London Sinfonietta, failed to take place. All the composers represented were born after 1945, and the roster blended familiar and unfamiliar names as well as a variety of nationalities – Argentinian and Israeli, Japanese and American, Russian and British.

Such a cosmopolitan flavour was welcome, though the suspicion that a tolerance that the Sinfonietta does not always extend to home-based composers had been allowed to prevail: I cannot believe, for instance that had Elena Firsova's Chamber Concerto No.4 been produced by a British composer it would ever have appeared in a Sinfonietta programme, let alone resulted from a commission – the tired, formula-ridden and often unidiomatic writing for ensemble and solo horn (bravely negotiated by Michael Thompson) would have seemed profoundly staid 20 years ago and quite beyond the stylistic pale. The list of significant British composers yet to be favoured with a Sinfonietta performance, let alone a commission, grows no shorter, especially among those based outside London, and to them the high profile given to the Firsova piece must have seemed a sad waste of precious resources.

Overall the programmes were buoyed up more by their variety than the quality of the music. Few new pieces made a definite impression – one could admire the confidence and command of Jay Alan Yim's *Geometry and Delirium*, though its elements never convincingly cohered, and in short snatches enjoyed the Bergian lyricism of Krodo Mori's *Prelude, beau matin de mai*. But only Geoffrey King's *Die Treu is hier* gave a sense of individuality and striking ideas; written last year for Lontano it is a brittle assemblage of sharp-edged objects whose relationships are not easy to grasp at first hearing, held in place by the crispness of focus and the rapid-fire changes of perspective. Equally quickwitted though less distinctive was Peter Lieberson's *Raising the Gaze*, a recent miniature from a composer who deserves more extensive coverage in London than a token appearance in a survey like this.

Sunday's programme included the première of a Sinfonietta commission from Rupert Bawden. *The Dramatic Cantata on the legend of Apollo and Daphne* is an instrumental work with violin and cello protagonists, who map out the fable of Apollo and Daphne in quasi-theatrical terms. The score is dedicated to Robin Holloway, but Bawden's model here seems to have been the "imaginary theatre" pieces of Henze – his clarinet concerto *The Miracle of the Rose* is in the Sinfonietta's repertory. Much of Bawden's instrumental writing is bold and virtuosic, and does not shrink from literal, programmatic effects when he thinks them necessary. At its best the cantata generates genuine tension and a sense of momentum; not all the details tell, and the writing sometimes overreaches itself, but the conception seems fresh and original, qualities that were by no means always in evidence during this weekend.

Andrew Clements

Rozvzpomínání

THEATRE ON A STRING, BRNO

The best play I saw on my recent visit to Czechoslovakia was not in Prague, but at the impoverished Theatre on a String in the House of Art at Brno, the capital of South Moravia. Travelling east for 220 kilometres from Prague, you arrive at what is generally regarded as the centre of the best new Czech theatre by stopping just 50 kilometres short of Vienna.

The Theatre on a String has visited Britain at arts festivals in Glasgow and Brighton. One of their leading mimes, Boleslav Polívka, is well known to London audiences. Their style is scruffily joyous and entirely disarming. The artistic collective from which they derive first gathered in 1971. Several of the original personnel, including the director Petr Scherhaufer and the dramaturg Petr Oslzlý, are still involved.

Oslzlý has adapted *Rozuzpomínání*, which means something like "Remembering," from a long banished novel by Bohumil Hrabal called *I Served the English King*. There are signs of reinstatement for Hrabal, now an old and feeble man. In the week I was in Prague, queues were forming one tea-time for a book-signing session he had suddenly been allowed to give. The *English King* novel is to be published in Britain this summer.

In a cramped upper room seating about 150 people, *Rozuzpomínání* is part of a repertoire of new plays and classics done with scant regard for aesthetic niceties, which is the only kind of regard worth cultivating. At the same time, the company gives off the genuine whiff of sulphurous energy that characterises the best of Europe's innovative informal groups like the Colletivo di Parma and, it must now be said, Cheek By Jowl.

Rozuzpomínání is the tale of a waiter, Jan Dítě, in the Bohemian provinces, whose career, spanning the 1920s and 1950s, takes him to the Hotel Paris in Prague, mixes him up with the Nazis during the War-time occupation, and dumps him finally on a non-materialistic quest for ecological solitude among birds and peasants. All he had wanted in the first place was to be rich. And to sleep with whores. In order to succeed, he has to learn to provide what people expect. His lesson in fruitful kowtowing is imparted by the waiter who can smoothly anticipate a customer's order and who once served the King of England.

Jan's great moment comes when he is honoured at an Abyssinian shindig by Haile Selassie. But he is promptly accused of stealing gold cutlery and demoted to the old codgers' reunion where he makes the best of a bad job by seducing an exotic stripper whose gyrations have reduced the customers to various states of slavering impotency.

That scene is just one of many gorgeous set-pieces in Ivo Krobot's production, which is sensuously and flexibly arranged on a traverse stage bounded by decadent red swagging. Three actors play Jan at various stages of his life, reinforcing the impression that this is a Mesphistolean extravaganza with contemporary Brechtian dimensions and more than a hint of *Peer Gynt*.

The rapport between players and audience was powerful and infectious, the play of obvious contemporary metaphorical significance, the acting company a total delight.

Some scenes have indeed fallen foul of the authorities in a country where every script, new or otherwise, must be cleared by the censors. The discussion of Czech fascism, for instance, is obviously not all that welcome. But Theatre on a String is a vivid demonstration of the art of theatre inevitably transcending the short-term expediencies of politics. And, in my book, they provided the greatest hope for the nation's theatrical future I encountered on a short but stimulating visit.

*

Trinculo in Cheek by Jowl's *The Tempest*, which I reviewed from Prague last Saturday, is played by Michael Jenn, not Stephen. Apologies to both brothers.

Michael Coveney

Alastair Muir

Auroil Smith and Paul Moriarty

Situation Vacant

ORANGE TREE THEATRE, RICHMOND

Now in his early 60s, Michel Vinaver is a French writer who combined business (Gillette International) with literature until his 40s. His teenage years were spent in America, despite which he apparently acquired a mastery of English. His insight into the corporate, or rather Corporation, mentality infuses *La demande d'emploi*, written in 1971 and enjoying its British première at Richmond's courageous and enterprising Orange Tree which staged the same author's *Smile on the End of the Line* last year.

The four characters of this chamber play are onstage for the 90-minute duration. Conversations from different times and places are superimposed and played simultaneously: the bright lights and simple set – an office desk, a dining-table, chairs to match – disposes of the customary barriers between darkened auditorium and illuminated stage. The audience provides one more thread in the texture, a pedal note in the complex counterpoint.

But perhaps this is provided by Paul Moriarty's harassed Fage. He is being interviewed at the desk for a job with a large company. His wife and daughter are at the dining table. He turns from one situation to another, often changing direction in mid-line, just as the characters overlap in space without meeting.

Sam Walters, an expert juggler within these limitations, turns the minuscule acting area to advantage as the teenage daughter practises meditation on the office chair and the inquisitorial interviewer crosses into the domestic zone, embodying the tangled strands of Fage's mid-life crisis.

For, the simultaneous technique apart (in English theatre it has been brilliantly used for comic purposes by Ayckbourn), this is a fairly predictable vivisection of redundant, early middle-aged bourgeois masculinity. The needling by the interviewer, the revelation that his schoolgirl daughter is pregnant by an African student and drug-pusher – *and* getting politically militant – besides his wife's carping and eventual success in finding her own work, all contribute to an imminent nervous breakdown for Fage who may also, it is hinted, consider himself responsible for his son's death and have incestuous inclinations towards his daughter.

The play, described as in "thirty pieces" (of silver, besides short scenes?), touches on guilt, repression, self-delusion. It unfolds in short intense bursts of dialogue, well served in John Burgess' translation, punctuated by blackouts. Mr Moriarty has not yet got the measure of the house: his performance is theatre-size, slightly louder and more emphatic than necessary at these close quarters. Auriol Smith is so good as elderly ladies that her touchingly concerned Louise, the wife, comes as a welcome reminder that she is not in a perpetual white-haired flutter.

Martin Hoyle

ARTS GUIDE March 17-23

OPERA AND BALLET

London

Royal Opera, Covent Garden. The fidgety, shallow new *Così fan tutte* is produced by Johannes Schaaf. Jeffrey Tate conducts, heavily, and the bland cast includes Margaret Marshall, Suzanne Mentzer, and Hans Peter Blochwitz.

English National Opera, Coliseum. Jonathan Miller's dark staging of *Don Giovanni* is revived with Steven Page in the title role, Rita Cullis as Anna, and Jane Glover (making her ENO debut) as conductor. Miller's successful big-house adaptation of Britten's greatest chamber opera, *The Turn of the Screw*, continues in repertory, as does the first-ever Coliseum *Falstaff*, produced by David Pountney and conducted by Mark Elder, with Benjamin Luxon at the head of an excellent cast. Last performance of Bizet's uneven but lovely fresh and tuneful *Pearl Fishers* in its current run.

Royal Ballet

Covent Garden, a triple bill on March 22.

Paris

Théâtre des Champs Elysées. Rossini's *William Tell* with Michael Schoenwandt conducting the Orchestre National de France in a new co-production between the Théâtre des Champs Elysées, Teatro alla Scala, Nice Opera and the Total Foundation for Music (47203637).

Paris Opéra. Tchaikovsky's *Sleeping Beauty* in Rudolf Nureyev's production and choreography after Petipa conducted by Patrick Fournillier alternating with Vello Pähn in Nicholas Georgiadis Decors and with Paris Opéra stars (47425371).

Amsterdam

The Netherlands Opera with Rossini's *Barbiere di Siviglia*, designed and directed by Dario Fo. Stephen Barlow conducts the Netherlands Philharmonic, with David Malis as Figaro, Louise Winters as Rosina, and Douglas Ahlstedt as Count Almaviva.

Berlin

Opera. The successful Götz Friedrich *Ring* production returns with *Siegfried* and *Götterdämmerung*, the main parts sung by Ute Vinzing, Toni Kraemer, Robert Hale, Hanna Schwarz, Reiner Goldberg and Eva Johansson. *Pelleas und Melisande*, sung in French is revived with Friedrich Molsberger, Karan Armstrong, Kaja Borris, Barry McCauley and Wolfgang Schoene, conducted by Jesus Lopez Cobos. *Aida* has a strong cast led by John Tomlinson, Piero Cappuccilli, Julia Varady in the title role, Bruna Baglioni and Giorgio Lamberti. *Notre Dame de Paris*, choreographed by Roland Petit ends the week.

Hamburg

Staatsoper. *Der Liebestrank* features Hellen Kwon, Kurt Streit and Rolando Panerai. *Zar und Zimmermann* is a well done repertoire performance. *Die Hochzeit des Figaro* features Judith Beckmann, Dagmar Schellenberger, Wolfgang Brendel and Gilles Cachemaille. *Eugen Onegin*, sung in Russian has a first-rate cast including Karita Mattila, Daphne Evangelatos, Wolfgang Brendel, Kurt Moll and David Rendall. Further performance of *Der Troubadour* with Wolfgang Brendel, Sharon Sweet, Ruza Baldani and Lando Bartolini.

Stuttgart

Opera. Stuttgart celebrates the 200th anniversary of the French revolution with the city's first staging of *Andrea Chenier*, produced by Ian Strasfogel with sets by Hans Hoffer. The cast includes Bruna Baccaria in the title role.

Cologne

Opera. *La Traviata*, produced by Peter Brenner and conducted by Sir John Pritchard with Lucia Aliberti in the title role, will have its premiere this week. *Die Fledermaus* is well performed by Claudio Nicolai, Gabriele Fontana, Randall Outland and conductor Georg Fischer.

Bonn

Opera. *Madame Butterfly* with the wonderful Marco Arturo Marelli production and sets, convinces thanks to Yoko Watanabe and Michael Sylvester outstanding in the leading parts. *Tannhäuser* stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler and Christer Bladin. Also the ultra modern Bernhard Broka production of *Die Fledermaus*.

Vienna

Ballet. *Orpheus*, conducted by Ulf Schirmer. Opera. *Tosca*, conducted by Severini. Cast includes Raina Kabaiwanska, Luciano Pavarotti, Ingvar Wixell, Gottfried Hornik.

La Traviata, conducted by Elio Boncompagni, with Waltraud Winsauer, Ingvar Wixell, Horst Nitsche. *Der Rosenkavalier*, conducted by Horst Stein. Cast includes Lucia Popp, Patricia Wise, Alfred Sramek, Peter Jelosits. *Parsifal*, conducted by Horst Stein, with Gwyneth Jones, Waltraud Winsauer, Margareta Hintermeier.

Volksoper in repertory: *Die Fledermaus*, conducted by Franz Bauer-Theussl. *Die Csardasfürstin*, conducted by Rudolf Bibl. *Die Zirkusprinzessin*, conducted by Herbert Mogg. *Die Bohème*, conducted by Ernst Märzendorfer. *Die Lustige Witwe*, conducted by Rudolf Bibl. *Gasparone*, conducted by Rudolf Bibl. *Die Zauberflöte*, conducted by Konrad Leitner (Thurs). (51444, ext. 2662).

Rome

Teatro dell'Opera. Wolfram Kremer's production of Verdi's *Ernani*, with the sets by Nicola Benois for the opera's last performance here in 1978. Cast includes Giuseppe Giacomini, Giorgio Zancanaro, Dmitri Kavrakos and Silvia Mosca, conducted by Giuseppe Patane (46.17.55).

Milan

Teatro alla Scala. Giorgio Strehler's production of *Le Nozze di Figaro*, designed by Ezio Frigerio. Riccardo Muti conducts a cast which includes Anne Murray, Cheryl Studer, Patricia Pace and William Shimell (80.91.26).

Turin

Teatro Regio. *Le Nozze di Figaro* in Egisto Marcucci's production, designed by Uberto Bertacca. In the cast are Alberto Noli, Eugenia Moldoveanu, Lucio Gallo, Laura and Manuela Custer; conducted by Gustav Kuhn (548.000).

New York

Metropolitan Opera. The week's performances include *Rigoletto* with Hei-Kyung Hong as Gilda and Leo Nucci in the title role, conducted by Nello Santi; *Eugene Onegin* conducted by Andrew Litton with Mirella Freni as Tatyana and Jorma Hynninen in the title role; and Eva Marton in the title role in the season's last performances of *Salome*, conducted by Marek Janowski. Lincoln Center Opera House (362 6000).

Antologia de la Zarzuela. South American company of 60 dancers, singers and musicians perform with lavish sets. City Center (581 7907). Ends April 2.

Washington

Dance Theater of Harlem. Mixed programme of the notable modern ballet company features works by Balanchine and Pepita. Kennedy Center Opera House (254 3770).

La Gran Scena Opera Company. Artistic director Ira Siff leads his parodists through Wagner, Bizet, Puccini and Cilea in flamboyant, camp scenes in elegant costumes and sets. Kennedy Center Terrace Theater (254 9895).

Tokyo

Lar Lubovitch Dance Company. *North Star*, *Concerto Six Twenty-two*, *Rhapsody in Blue*. Shinjuku Bunka Centre (Thurs) (580 0031).

FINANCIAL TIMES
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Message from Wall Street

LAST FRIDAY'S sharp fall of equity prices on Wall Street has created a distinctly less comfortable environment for the world's economic policy makers.

The reason is not that equity markets in the US are suddenly telling us anything new. Friday's 48.57 point slide in the Dow Jones Industrial Average and yesterday's continuing soft undertone in the market instead amount to belated recognition that inflationary pressures are abroad and have been for some time.

For the past three months US equity investors have been living in a fool's paradise. Friday's news that US producer prices in February rose by 1 per cent for the second month running merely brought equity investors' level of awareness of real economic trends to that attained by the US bond markets on publication of January's poor producer price figure a month before.

However, Wall Street's failure to function as a leading indicator of economic trends has implications in Britain and further afield.

At the parochial level, yesterday's further decline in share prices showed that the London Stock Exchange is still a follower of Wall Street. Favourable British money supply data, with its news of a sharp slowdown in bank and building society lending and much slower growth in M0, were overshadowed by Wall Street's weakness.

Downward correction

If investors believe that higher US interest rates must follow the latest inflation data, there is no escaping the fact that the risk premium on US equities suddenly began to look too low. As US – and British – institutional investors are geared to quarterly performance assessments, rather than acting as long-term holders of shares like their Japanese counterparts, it follows that a downward correction in prices must follow.

The danger for the world economy is that this sort of reaction can provoke monetary overkill on the part of the authorities. Before publication of last Friday's producer price figures, both the Bank of England and the Bundesbank appeared content with interest rates as they are. The Bundesbank had after all doubled short-term money market rates since early summer. In Britain the 13 per cent base rates established in November only started to limit family budgets through higher mortgage rates at the beginning of this year.

Delicate position

The position regarding US interest rates is particularly delicate. Mr Alan Greenspan, chairman of the Federal Reserve Board, has been forced to play a cautious game; "snugging" Fed funds higher for the past 12 months and using increases in the discount rate to confirm long established trends. His concern must be that inflationary fears could force a sharper tightening of monetary policy.

Mr Greenspan knows that a sharp rise in US interest rates to stop inflation in its tracks could backfire by worsening the US Budget deficit. It would make more difficult the US handling of the savings and loans crisis and pose additional problems for Third World debtors when expectations of an improvement in their lot have been buoyed by US Treasury Secretary Nicholas Brady's reappraisal of the US administration's international debt strategy.

Most problematic of all, overt acknowledgement of the inflationary menace could, at a time of full employment in the US, trigger sudden demands for higher wages, threatening a wage-price spiral after a decade in which real wages in the US have been remarkably stable.

It would be wrong to react in an exaggerated way to the message from Wall Street, nor is it likely that Mr Greenspan will do so. The recent strength of the dollar takes some of the pressure off domestic monetary policy. But the US currency is notoriously unpredictable and does not always respect economic fundamentals. Inflationary pressures in the US are strong. If the US is to reduce its vulnerability to domestic and international disturbances, a serious start needs to be made on reducing its dependence on external funds to finance its own budget.

The efficiency of settlement

AN INCREASINGLY worrying feature of modern financial systems is the extent to which their stability depends on technicians whose work is incomprehensible to the people in charge or on administrative functions that have traditionally been accorded dutiful rather than interested attention.

That is certainly true of payments arrangements in international banking, where central banking authorities have expressed concern that computer systems have been slow to catch up with the rising volume of transactions. The argument applies with equal force to the world's stock markets. In some cases clearance and settlement systems are dangerously antique; in others they are subject to the enthusiasms of inadequately supervised computer specialists.

Yet with the globalisation of securities markets the risk inherent in a default on any transaction has become a global problem. As the regulatory dividing line between banking and securities progressively erodes, such a default poses a contagious threat to the interests of depositors. And the growth of institutional investment vehicles means that the average size of transactions is increasing while their value is subject to hugely volatile fluctuations.

All these lessons were brought home in the Crash of October 1987 when the number of unsettled bargains soared beyond many systems' capacity to cope.

Vulnerable system

They have led to specific recommendations for reform at national level, notably in the US where the Brady Report on the Crash highlighted the vulnerability of a system that depended on arm-twisting by the Federal Reserve to ensure that the money centre banks pumped liquidity into the markets to finance unsettled positions. And now the Group of 30, a high-powered international bankers' think-tank, has come up with a very welcome set of recommendations designed to reduce the level of payments- and settlement-related risk in the world's securities markets.

The proposals aim to reduce the time period over which settlement remains outstanding, for example by adopting rolling settlement periods in which exposure is ultimately reduced to three days. That and other reforms imply a reduction in the amount of capital required to support a given trading position. At the same time the Group of 30 advocates moves designed to enhance efficiency and reduce costs, arguing for central securities depositories which remove the need for expensive shuffling of paper.

Valuable yardstick

Much of this constitutes existing best practice; but even the most sophisticated markets in the world are not wholly up to scratch in all respects. And where the more rickety settlement systems are concerned, the report provides a valuable yardstick, together with a timetable against which to measure performance.

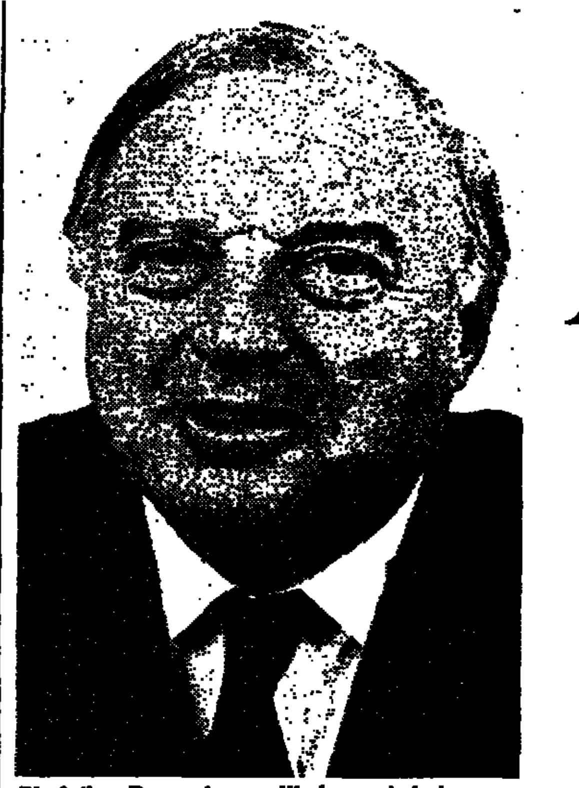
Given the disparate backgrounds of those who compiled the report, this is a worthwhile achievement. But as the experience of Britain's International Stock Exchange demonstrates, it is singularly difficult to translate aspiration into reality even in a country where the capital markets play a large role in terms of employment.

Part of the problem lies in the way the costs and benefits are not evenly distributed around the main parties to activity in the capital markets. It is hard, for example, to persuade securities practitioners to stump up for new computer systems when their core business is not profitable. And there must be some doubt whether governments will be willing to invest political capital in such Group of 30 suggestions as the removal of tax barriers to stock lending.

Yet in the final analysis there is a common interest in reducing the overall costs of clearance and settlement and cutting down to size the risks in the system. If the Group of 30 helps governments and practitioners to look towards that wider interest it will have have made a constructive and timely contribution on a technical but important issue.

Richard Tomkins on the difficulties that have followed the takeover of the Wedgwood china company

A white knight with slightly tarnished armour



Sir Arthur Bryan, former Wedgwood chairman

Mr Paddy Hayes, Waterford chairman

Outside the rural Staffordshire headquarters of Wedgwood, the fine china company, a larger-than-life bronze statue of the patriarch Josiah Wedgwood gazes benignly out across the fields of Barlaston Park. The trees are putting out buds, lambs struggle uncertainly to their feet, and a brook babbles, as brooks do.

It is the very picture of tranquility – but it is a misleading one. Three years ago Wedgwood welcomed a takeover bid by Waterford Glass, the Irish crystal group, in order to escape others' clutches. For some of those who welcomed the original deal, however, the takeover has turned sour: a series of problems have bedevilled the Irish parent and left it leaning ever harder on Wedgwood for support.

Now the dissidents are suggesting that the takeover should somehow be undone. In any event, the Waterford group as a whole is looking vulnerable; and proud Wedgwood, which so recently gave up more than two centuries of independence, fears it may soon be in the thick of its second bid battle in three years.

Wedgwood's first experience as a target came in April 1986 when it found itself on the end of a hostile bid from London International Group, the diversifying condom maker.

At Wedgwood's head was Sir Arthur Bryan, Lord-Lieutenant of Staffordshire. Once a bank clerk, he had worked his way up to become the first person outside the Wedgwood family to chair the family business.

Sir Arthur dismissed LIG's bid with contempt. He found, however, that he had little choice but to look – in the breathing space provided by a Monopolies Commission inquiry into the bid – for a white knight.

It was Waterford Glass, under the recently installed management of ex-Ford executive Mr Paddy Hayes, that obligingly donned shining armour by topping LIG's £149m bid with an eyebrow-raising £253m agreed offer.

The combination of Waterford and Wedgwood – two companies with complementary products adorning the world's best table-tops – seemed an ideal marriage. But within months of the deal's completion in November 1986, a weakening dollar and heavy restructuring costs wiped out the crystal division's profits. Only a record trading profit from Wedgwood in 1987 saved the group as a whole from catastrophic losses that year.

Everything was supposed to come right in 1988. Hopes that the final accounts for the year might show a good result were rudely dispelled a few weeks ago, however, when Waterford said it had discovered "accounting errors" in the crystal division. When the merged company's results for 1988 come out next month, analysts say, Wedgwood will probably turn out to have achieved another record performance, but heavy losses at Waterford will leave the group as a whole struggling to show a net profit for the year.

It is scarcely surprising, then, to hear people suggesting that Wedgwood might be better off on its own; and still less surprising to find that Sir Arthur, who reluctantly left Wedgwood on reaching his 65th birthday last year, is one of them. Another is Mr Philip Darwin, a stockbroker who owns shares in the merged company. He is an acquaintance of Sir Arthur and a member of the extended Wedgwood family.

Both protest that Wedgwood has become a milch-cow for Waterford. Its profits are used to offset the crystal division's losses, they say, and its assets – the Trent Sanitaryware and Welsh Porcelain divisions, 2,000 acres of Staffordshire farmland, and some of the overseas warehouses – have been sold off to prop up the Waterford balance sheet.

Perhaps more significantly, savings in stocks and working capital have been achieved through a cut in the number of patterns in the product range from 400 to 240 – a policy regarded by the old school as wholly misguided.

In the words of Mr Jim Moffat, Wedgwood's former managing director, who left not long after the takeover: "Our business has a rather big snob value. People want to be different: they do not want to go and buy the same dinner set as the next-door neighbour has."

Sir Arthur criticises the way in which Waterford's Mr Hayes injected Ford men and Ford management styles into Wedgwood. ("You know, going by the manual, targets, meetings . . . I have never known so many meetings.")

He says that Wedgwood expertise was tossed aside and many long-serving managers were replaced. "They did not wish to receive any advice on distribution and marketing from the Wedgwood side, particularly from me, and I would say that has cost the company dear."

Mr Paddy Byrne, the genial but tough ex-Ford man installed by Mr Hayes as Wedgwood's chief executive, says the whole thrust of Waterford's philosophy was to dispose of peripheral assets and concentrate on core businesses, so no one should have been surprised when that happened.

The product range was cut because slow-moving lines were clogging up the system, delaying deliveries of popular lines and blocking the introduction of new patterns. And if far-reaching changes to the management style were made, it was because the company had been switched from a production-led organisation to a marketing-led one.

"In terms of the previous strategy, it really was a case of having the factories full and selling the produce from those factories," he says, adding that this even extended to the management chasing volume by deliberately introducing flaws into products and selling them as "seconds".

Mr Byrne does not accept that his lack of Wedgwood expertise detracts from his ability to run the company. "You don't have to be a car engineer to become general manager of a marketing-led company in cars, and you certainly don't have to be a potter to run this company here," he says.

Waterford looks vulnerable and proud Wedgwood may soon be in the thick of its second bid battle in three years

"I don't think even Sir Arthur would claim to be a potter."

Mr Byrne also points to the figures. Wedgwood made operating profits of I£ 11.5m (against I£ 10.9m) in the first half of 1988 – not just a record but, in sterling terms, roughly double Royal Doulton's £4.5m on similar turnover.

Sir Arthur waves this away. "Wedgwood's success over these last two years is a result of the momentum of Wedgwood's success over the last 25 years," he says – the implication being that, under Waterford, it will duly peter out.

If so, the message does not appear to have reached Wedgwood's employees. Shopfloor workers lunching at the factory's local pub, the Duke of York in Barlaston, say they are happy enough with the new management: the only difference they have noticed is better internal communications and fatter bonuses under the Wedgwood profit-sharing scheme.

Indeed, the further one probes, the more it becomes apparent that there is little love lost for the old school. One former manager remarks: "Sir Arthur didn't do us any favours. It was him who sold us down the river in the first place."

But if insurrection is not in evidence at Barlaston, fear of another takeover is. The names that Wedgwood employees mention are the same as those on brokers' lips in London and Dublin. One is that of Mr Tony O'Reilly, who heads the H J Heinz food company and the Irish Independent newspaper group. Others are Guinness, with its interests in the glamorous Louis Vuitton and Moet-Hennessy brands; Rothmans, with its Dunhill luxury goods brand; and the big china companies such as Noritake of Japan.

The reason for the speculation is not just the criticisms of the new management, or the poor performance of Waterford Crystal, or even the group's sharply depressed share price, but the unfulfilled expectations that have undermined confidence in Waterford's management.

Mr Paddy Hayes, 57, came to Waterford with a reputation for toughness earned through his years as chief executive of Ford in Ireland. There, the contraction of the Irish motor trade had made it his grisly task to shut down the Ford assembly plant in his native Cork.

He was brought into Waterford in 1985 by Globe Investment Trust, a substantial shareholder, to sort out a company that had lost its way. Quickly throwing an ill-starred diversification programme into reverse, he then set about the core business.

The problem with the crystal operation was that a strong dollar and big profits had allowed the highly unionised workforce to secure an over-generous three-year pay deal at the beginning of 1985. When the dollar began to turn down the following year, the cost base became insupportable.

The cushion of Wedgwood's profits gave Mr Hayes the opportunity to grasp the Waterford nettle. In 1987, he hacked the crystal division's workforce from 3,000 to 2,000, updated technology with the introduction of continuous melting furnaces and diamond cutting wheels, and spent I£ 50m on redundancies, stock write-downs and buying out restrictive practices.

But this rationalisation had its price. After 1986's disappointing result, Mr Hayes said that 1987 would be a year of consolidation. Instead, there was a pre-tax loss of I£ 10.3m.

The benefits of rationalisation were supposed to be reaped in 1988, and at the interim stage Mr Hayes confirmed his earlier prognosis that profits would bounce back in the second half. But then came the January 1989 announcement – the warning that the full-year results would be much worse than expected.

A full explanation will accompany next month's figures. It seems that the benefits of restructuring were much slower to come through than expected, and so crystal production costs remained too high; but a person or persons unknown concealed the fact in the management accounts by attributing an unrealistically high value to stocks.

As far as the board was concerned, the profits were coming through: it was misled as a result of fear, pride or incompetence lower down the line. But the episode nevertheless remains a serious indictment of the management's lack of financial controls.

It has also brought the bid speculation close to fever pitch. As one Dublin stockbroker remarks: "Waterford now has very little credibility left indeed. They have failed to deliver on too many occasions, and this was the last straw."

It is hard not to feel a sneaking sympathy for Waterford. Though Mr Hayes was undoubtedly over optimistic about the time it would take to resolve the cost problems in crystal production, he can claim credit for Wedgwood's enhanced profitability, for the sharp upturn in sales now coming through in crystal, and for the dramatic changes in working practices he has achieved at Waterford's factories.

But shareholders can be unforgiving, and for the moment, the management's strongest defence against a bid is not so much its virtues as the detailed weaknesses still to emerge in next month's figures.

Mr Hayes is determined to resolve these remaining problems swiftly. But here lies the irony: the sooner he does so, the sooner he risks letting others reap the benefits of his own four years of endeavour.

OBSERVER

Better class of rubbish

■ The Prime Minister has been hectoring us again about the need to clean up the streets; and quite right, too. Here, however, is a suggestion that would be socially acceptable, immensely useful and could be developed either by the private or the public sector, or a mixture of both.

In West Germany there is a practice known as the Sperrmüll. It is an almost untranslateable term, not even listed in the dictionary. It refers to the disposal of rubbish too large to fit in a dustbin.

But it is a bit more subtle than that. For what is rubbish to one person can be a treasure to another. That little table, or stool, or bed, or old armchair that always got in the way, yet was too big to throw out, might be just what someone else was wanting, but could never find.

So twice a year – spring and autumn – the Germans throw them out on the streets. They do this in a very orderly fashion: not just a few hours before the rubbish collectors come, but sometimes several days in advance. The reason is that the neighbours, and even the antique collectors, ought to be given a chance to see what is on view, and take it if they want it.

You may not always find a Biedemeier, though there is usually something really useful. And scouting round the collections is an entirely respectable activity. Some people do in Mercedes, others in vans, and some just walk. What is left over is disposed of by the garbage men.

There are varying degrees of sophistication. In Bonn everything tends to be thrown out together. In Hessen, which has had more of a left-wing tradition, there are separate collections for old clothes. Those are picked up by the German Red Cross and distributed to poor countries like, one source said yesterday, the German Democratic Republic.

It does not greatly matter whether the practice is supervised by the local authorities or private contractors. It could work either way, although the Germans have been keen to keep overall control in the public sector. I am told that a similar system operates in parts of Canada.

Anyway, there is the general drift. In Germany the Sperrmüll is sometimes known as the "private recycling" of goods. It would be extremely popular in Britain – possibly even vote-winning, and one cannot understand what Margaret Thatcher has been doing in not telling Nicholas Ridley, the Environment Secretary, to get on with introducing it.

Real first

■ The Savoy Hotel has issued a glossy booklet about its centenary. It includes a list of One Hundred Firsts in its history. Item 88 records: "In 1967, Lady Whitmore, the Swedish-born wife of British racing driver Sir John Whitmore, became the first woman to die in the Savoy restaurant wearing trousers."

Renascent bank

■ It has taken 517 years for the institution which claims to be the world's oldest bank to open a branch in London. But all in good time, Italy's Monte dei Paschi di Siena did so yesterday.

Monte dei Paschi was founded in 1472 and was thus in at the start of Italy's great medieval banking traditions. It would be most appropriate, of course, if the bank's branch was in Lombard Street; instead it has settled for quarters in Leadenhall Street.

The London branch, the bank's fourth overseas, "will devote particular attention to relations between the English and Italian markets," according to Giulio Natalicchi, the general manager.

Eye of newt

■ There is more than a streak of eccentricity in Congressman Newt Gingrich of Georgia, the conservative Republican whose campaign to topple House Speaker, Jim Wright, is coming to a climax.

A former history professor, Gingrich is inclined to take 6 am walks in Washington where he will quote Machiavelli to anyone listening. In 1984 he wrote a book called Window of Opportunity in which he suggested that the disabled should be put into manned space stations where their weightlessness would enable them to contribute more to society.

Still, Gingrich is smart. When he began to attack Wright last summer for alleged ethical improprieties, it was widely assumed that his campaign was bound to fail. Gingrich kept plugging away until the calls for a House ethics inquiry into the Speaker's financial dealings became irresistible.

The House committee is about to pronounce on the findings and many Democrats fear the 450-page report will damage Wright, perhaps irrevocably. Gingrich, meanwhile, is using his success in the Wright affair to promote himself for the post of party whip, the number two job in the House Republican party vacated when Richard Cheney was chosen as the new Defence Secretary. A vote is due tomorrow.

But there is a snag. A story appeared yesterday that Window of Opportunity was backed by a limited partnership which raised $105,000 for promotion costs. When the book failed to sell, members of the partnership benefited from the tax write-offs. One of Gingrich's main criticisms of Wright focuses on a book deal in which the Speaker received 55 per cent royalties.

Bigger Bruges

■ The Bruges Group – founded to prevent a Europe dominated by Brussels – continues to expand. Yesterday it appealed to leaders of small and medium-sized businesses at the Institute of Directors, home base of Sir John Hoskyns, who has his own reservations about 1992. And William Cash, the Tory MP for Stafford, was busy establishing a Bruges Group in Parliament to keep the momentum going.

Cover up

■ Heard the one about the woman in the nudist camp who awoke to find herself fully clothed? "Good God," she cried. "I've been draped."

LETTERS

Japan taken seriously

From Mr Ronald Dore.

Sir, Three cheers for Simon Holberton's plea that the Japanese must be taken seriously (Lombard, March 17). The stability of the world economy depends as much on the Japanese-American relationship as military stability depends on America's relationship with the Soviet Union. It is worrying that few Americans try to feel what the world is like from Tokyo's point of view.

An article in the latest Harvard Business Review strikes the dominant note. Japan has power and it is concentrated power; 25 insurance companies, capable at any moment of acting in concert under ministry of finance guidance, could control US bond rates.

But, says the author, the US cannot sit back in dignified decline and let the Japanese take over — as the British gave way, more or less with good grace, to the Americans half a century ago. Why? Because the Japanese are incapable of "thinking for the system" in the way the British cared about their civilising mission in the 19th century and the US about making the world safe for liberal democracy after the Second World War.

The dismissive contempt of "incapable" is the problem. In theinternational forum, the Japanese often have more financial clout — respect — which the Americans resent. The Japanese make a reasonable "system-regarding" proposal to the IMF in Berlin. The Americans rubbish it and the world listens to the Americans. Something similar emerges as the Brady proposals a few months later; the world applauds and the Japanese meekly agree to provide the cash.

In the days of Britain's "dignified decline", a Keynes with ideas and American bankers with cash could produce a Bretton Woods. That was possible because the European and American participants argued on a footing of complete personal equality and mutual respect — divided only by the debtor/creditor status of their nations. That sort of relationship between Japanese and Americans could build up over time. But both sides could think seriously about accelerating the process by institution-building — particularly by getting Japanese and Americans of equal intellectual stature working together daily on common problems. A bigger Japanese role in IMF — and a Japanese determination to send only their best people — would help. What about, also building up some kind of independent permanent secretariat for G5 in which the Japanese could be heavily involved from the initial planning stage?

Roland Dore,
62a Linnaean,
Cambridge,
Massachusetts, USA

A responsive training system

From Mr Ansel Harris.

Sir, It is perhaps not a coincidence that the launching of the Training and Enterprise Councils (TECs) coincided with Comic Relief. No doubt the officials responsible for the launching of yet another training initiative felt as Sir Christopher Hogg does. The chairman of Courtaulds in the current advertisement promoting the TEC says: "I find that the great variety of initiatives now around are confusing."

Enthusiasm for the TECs, especially after the launch, has been distinctly muted. Perceptions of them and their *modus operandi* are unclear. Is this in part because they are predicated on conflicting and contradictory premises?

The first is that the private sector, so frequently and not unfairly criticised for its inadequate regard for the importance of training, is put in the driving seat. The second is that it is placed there because government has a high regard for its operation of the market economy and the efficacy of the profit motive. But yet each TEC is to be given on average £20m in order to deliver its programme.

Finally, while the appeal has gone out to chief executives to come forward to chair the TECs, delivery and implementation will be in the hands of others. They are the civil servants who, with their limited appreciation of the private sector, have in the past decade been responsible for the introduction and management of that plethora of successive schemes to which Sir Christopher Hogg refers. Many of them failed. They will staff and serve these new councils whose principles, to quote the prospectus, "are about decentralisation, diversity, innovation and excellence."

This Trust has co-operated with the Manpower Services Commission and its successors in some of these schemes. We endorse John Banham's observation (Employment News, March 11), that "a more responsive vocational education and training system is required." In the last few years one of our main thrusts has been to draw local colleges of further education closer to our membership (and our members to a recognition of their responsibilities towards training). The colleges have representatives on our council and we have sponsored special projects at the colleges in order to provide short courses to meet members' requirements. The responsive college is emerging.

We offer a suggestion for the National Training Task Force. We urge it to encourage (perhaps even make mandatory) that one of the seats on each TEC be allocated to an experienced representative of the local vocational education and training community.

Ansel Harris,
Park Royal Enterprise Trust,
Waxlow Road, NW10

Diverse skills

From Professor Cyril Tomkins.

Sir, I read Mr Palfrey's letter (March 9) with a sense of despair — yet another uninformed blanket attack upon universities, lacking any selectivity and made more offensive by the language used in referring to universities as "sluglike" and containing staff with "slow-moving university minds."

In contrast to Mr Palfrey's wild and generalised assertion, the school of management at Bath (which recruits high-quality students and has heavy demands from industry for them) positively seeks students with both qualitative and quantitative skills. It must be seven or eight years since the headmaster of one of the country's well-known public schools telephoned me to ask for an explanation of why one of his best pupils had not been offered a place. The answer was that the student only offered A-levels in maths, further maths and physics, and that seemed, in comparison with other candidates, to indicate too narrow a background and interest for a course with inputs from subjects as diverse as accounting, economics, psychology, mathematical modelling, marketing, and others. University schools like ours will also seek a breadth of interests.

May I also add that my own son had no organisational difficulties whatever in pursuing A-levels in both maths and English at his private sector school and local enquiries reveal that there would be no problems in this combination at other schools. Moreover he was offered places at Cambridge and LSE (on non-management courses) with such a combination — subject, of course, to obtaining the necessary grades.

Mr Palfrey, I suggest, might have been less sluggish himself and considered more carefully the product he was purchasing for his son. It is becoming all too typical for universities to be blamed for a wide range of society's ills and individual frustrations. A move towards a more market-driven model of education, which Mr Palfrey seems to be arguing for, suggests that one ought to be able to assume a little consumer intelligence in collecting information regarding different products and making choices.

Cyril Tomkins,
School of Management,
University of Bath,
Claverton Down, Bath

Duty to inform the public

From Mr J.J.C. Edwards.

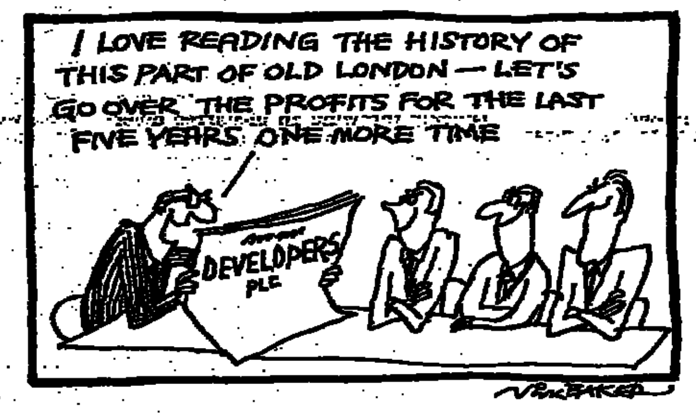
Sir, Mr Mark St Giles (Letters, March 13) welcomes the news of marketing links between building societies and insurance companies on the grounds that the distinction between independent and "tied" advice will become clearer to the consumer. If only this were so.

The advertising muscle of the big battalions, much enhanced by the existence of just such links, threatens to eclipse public awareness of the availability of independent advice, and thereby to extinguish the one and only way in which a consumer can exercise informed freedom of choice.

It is inconceivable that this effect was ever part of the Government's thinking in framing the Financial Services Act. Yet there is a real danger that the independent advisory sector will be suppressed as a result.

I agree that it is up to the independents and their representative bodies to tell the public that objective advice is still available; but it is also up to the institutions who derive benefit from this independent network to put across the same message with every promotional means at their disposal.

J.J.C. Edwards,
Henderson Unit Trust Management Ltd,
3 Finsbury Avenue, EC2



London's lost era

From Mr S.J. Morris.

Sir, Christine Tyler remarks that it is the developers rather than the planners who are now revealing Bankside's Elizabethan history ("We're on top of the Globe", March 11). The developers have indeed been unleashed and have cried havoc all along Thameside.

The final irony will be the recognition that property companies have, from Blackfriars to Tower Bridge, eradicated almost all traces of London's greatest era as a port and centre of 19th and 20th century maritime commerce.

Atmosphere has gone, and along with it whole streets of British economic and social history. The very last original riverside warehouse is now likely to be lost. The preservation of this history was just one of the reasons why local planners tried to divert the tides of speculative development that created buildings like the new FT.

S.J. Morris,
14 Lord Napier Place, W6

A speculative location

From Mr F. Nani Beccalli.

Sir, An item in your issue of March 14 (European News) is incorrect in saying that GE Plastics is in the early stages of discussing the building of an engineering thermoplastics plant in the Soviet Union.

It is certainly correct that with our aggressive and achievable sales targets in Europe for the 1990s such a plant would almost certainly be required. The precise location for such a facility would, however, at this stage be pure speculation.

I am quoted in the same story as saying that GE Plastics would be open to suggestions about a site and has no firm ideas on the matter. That is still the position.

F. Nani Beccalli,
GE Plastics Europe,
1 Plasticslaan, PO Box 117,
4600 AC Bergen op Zoom,
The Netherlands

Capital market

From Mr Keith Phair.

Sir, The DTI's efforts to cut the cost of complying with the Financial Services Act bears testament to Britain's skills in establishing bureaucracies. The reasons for this are worrisome for London's future as Europe's financial centre.

For example, on the Euromarket branch of the regulatory tree which stems from the Financial Services Act we have up to 10 bodies involved in the regulatory process, none of which wants to risk under-regulating. None of their lawyers wants to risk it either. Despite pressure from the regulated firms, they are reluctant to unilaterally relax or interpret the regulations for a particular area unless given guidance from their superior regulatory body. Such clarity of advice has rarely been forthcoming because individual regulators are not required to regulate in a manner which enhances the long-term health of the market, they are only required to regulate and will do so cautiously.

It is here that the danger to London's pre-eminence as a financial centre lies. Regulation has been made a legal necessity based on a belief that it makes markets more attractive to investors because they can have confidence in them. However, investor benefits have largely been illusory: large investors have achieved short-run gains from lower dealing costs but small investors are being deterred by the higher cost structure which has emerged from the expense of complying with the regulations.

Indigenous firms may benefit in terms of short-run profitability if foreign competitors are driven out through over-regulation or the use of dealing restrictions. This would, however, prove a pyrrhic victory since international markets and foreign money can easily be directed elsewhere. For example, the Euromarkets could relocate in Tokyo if given sufficient encouragement by the Japanese authorities and, indeed, some prominent Japanese bankers have advocated such a move. The international acceptance of the English language in business no longer demands a London location. London must earn continued dominance through being internationally competitive in all respects as a location for major capital markets.

Keith Phair,
Elmwood Road,
Beaconsfield, Bucks

The civilised society's treatment of its elderly

From Mr Peter Ashby.

Sir, In his excellent feature on community care ("Providing for the old and disabled," March 13) Michael Prowse rightly says that "the financial and organisational structures to make a reality of such care frequently do not exist."

Whether responsibility for care is assigned to local authority social service departments or to new local community care boards, the problems will remain of how to achieve a rapid build-up of trained staff in developing the extension of home-based services that community care requires.

The problem with Government action in this area is that it tends to ignore other government initiatives. To be specific: in the training field we are likely to see thousands of motivated trainees leaving employment training (ET) over the next few months, but without employment to go to. Why not use their skills, in a way that builds on their training on ET, to help provide the many back-up services — from administration and office skills to transport, construction and catering — on which community care so vitally depends?

Surely the Government would be failing unemployed people who joined ET if it let thousands of them return to the dole queues. And surely it would be failing the thousands of elderly people in particular if it let the skills of ET trainees be wasted and ignored.

Now is the time for ministers to designate the areas of care for the over-65s and care for the under-5s as social priority areas, in which unemployed trainees should be able to play a full part, as "intermediate" workers, in providing back-up and support for the established services on three-month assignments while they continue their job search.

Peter Ashby,
Full Employment UK,
4 Europa House,
St Matthew Street, SW1

From Mr Melvyn I. Carlowe.

Sir, Michael Prowse's article "Providing for the old and disabled" (March 13) sounds an alarm which must ring loud and clear.

A civilised society is surely judged by the treatment it metes out to the most vulnerable in its midst. Prowse's article vividly illustrates how dismally we are failing in our sense of social justice regarding the plight of the elderly, the mentally ill and disabled.

The Jewish Welfare Board cares for thousands of elderly people in a network of day-care centres, residential homes and community-based social work services. Until recently we were able to provide a comprehensive service with the support and in partnership with local and central government, targeting our efforts in meeting the needs of the most frail and the most at risk. Major decreases in grants for residential care now pose a threat on the future viability of our 10 homes accommodating 475 elderly people whose average age is 87.

The Griffiths Report offers an opportunity to have one body with the power to make decisions and impose standards in partnership with the voluntary, public or private sectors or, indeed, any combination of all three. The lack of response to the Griffiths Report by government only adds to the uncertainty regarding the future of an increasing number of people at risk, discourages any enterprising initiative for the fear that by taking on additional burdens and costs may land the voluntary agency in even more troubled waters.

The government has often stated that it wishes to provide a safety net for those among us who are at greatest risk. Griffiths seems to be the net worth grabbing.

Melvyn I. Carlowe,
Jewish Welfare Board,
221 Golders Green Road, N11

FOREIGN AFFAIRS

Problems of the single market

Robert Mauthner considers the future framework of relations between the EC and the Efta

Descartes would not have been happy with the Eurochatter that is going on at the moment. He might well have been on Mrs Thatcher's side in demanding precise definitions of the growing number of grandiose concepts which the European man in the street is expected to understand intuitively, but which hardly any European governments perceive in the same way.

Does European union involve the creation of both integrated political and monetary institutions? Does Mr Gorbachev's "common European house" imply just a loose grouping of West and East European states which co-operate in trade and security matters, or does it entail a more tightly-knit organisation? What kind of grouping were the European Community (EC) and the European Free Trade Association (Efta) talking about when they committed themselves in the Luxembourg Declaration of 1984 to creating a "European economic space"?

Nirvana in the first two cases lies far enough in the future to allow people to debate for years to come what they really meant when they invented the terminology for their grand designs. Maybe the national protagonists will even swap places, as the political colour of their governments changes.

A Social Democratic (SPD) government in West Germany — no longer an unrealistic prospect after Chancellor Kohl's recent electoral setbacks — is likely to place much more emphasis on the social and environmental dimensions of a European union than the Christian Democrats. A Labour government in Britain could well take a more positive view than Mrs Thatcher of a more closely integrated EC, willing to devote more of its energies to social legislation and protecting workers' rights.

In the immediate future, however, it is the awkwardly named European economic space which urgently requires clarification, both in the interests of the six Efta countries knocking on the door of the EC, and of the Community, whose identity, cohesion and future development is at stake.

When, at the beginning of this year, Mr Jacques Delors, the President of the European Commission, challenged the Efta "orphans" — Austria, Switzerland, Sweden, Norway, Finland and Iceland — to work out a common approach to the EC, he was clearly motivated by both practical and long-term political and economic considerations.

Mr Delors wanted to avoid separate applications for membership or special arrangements, which would overburden the Community's human resources and machinery. Far more important, however, appears to have been the growing conviction in the Community and Efta alike, that the progressive erosion of the political and economic barriers between Eastern and Western Europe, and the intensification of competition from the US, Japan and other Asian countries, make a nonsense of the division of Western Europe into two economic blocs.

The ambition of the Community, unlike Efta, has always been to become more than a trading bloc

The latest trade statistics are revealing on this subject. As a group, the Efta states are the Community's single most important trading partner, providing a bigger market for EC exports than the US and Japan together. About 70 per cent of all exports, and more than 65 per cent of imports of the 18 EC and Efta countries combined go to or come from other members of the joint group.

Yet, though there is free trade in industrial goods between the EC and Efta, companies are prevented from treating the countries in the two groups as a single market because of legal and other regulatory obstacles. Both EC and foreign-owned companies, which would like nothing better than to devise a manufacturing and commercial strategy for Europe as whole, tend to play safe by locating themselves in an EC rather than an Efta country.

The economic logic for unification of the two groups is thus convincing. The difficulty lies in finding a solution which will go further than the present free trade arrangements and take account both of the Efta countries' desire to participate in the Community's single market and the EC's political aspirations. Dr Helen Wallace, co-author of a special study of a wider Europe, put the problem in a nutshell in a recent lecture at Chatham House: "Are we creating a single European Market or a single European Community?"*

The whole issue has been complicated by the fact that, in spite of optimistic statements after last week's Oslo Efta summit, the six member countries are not approaching the Community in unison. All have subscribed to a ringing declaration stressing that they want "the fullest possible realisation of the free movement of goods, services, capital and persons, with the aim of creating a dynamic and homogeneous European economic space." But Austria has broken ranks by indicating that it will probably apply for full membership of the EC in the summer, while Switzerland prevented the Association from supporting a customs union with the Community.

Both issues strike at the very heart of the Community's identity and *raison d'être*. From a purely economic point of view, nothing would be more natural than that Austria, whose economy and currency is tied so closely to that of its big neighbour, West Germany, should join the EC. But the ambition and objective of the Community, unlike Efta, has always been to become something more than a trading bloc. Since 1985, that ambition has been given legal form in the Single European Act, which specifically provides for political co-operation between EC members, with the clearly stated aim of co-ordinating foreign policies.

Austria, however, is a neutral country which would find it difficult to participate effectively in this process; already Ireland is embarrassed when security issues are discussed. If, nevertheless, a formula were found to permit Austria to take part, that could very well open the door to membership applications by other Efta neutrals like Sweden and Finland, who have been deterred from making such a move mainly by the political implications of the EC.

Neutrals could, in theory, be excluded from the political co-operation process altogether. But one way or another, their presence inside the Community would have a politically debilitating effect. Nor is it desirable that members of a "homogeneous European economic space" should be allowed to stand aside from participation in a common European commercial policy, a field of action systematically shunned by Efta as a group, but one which has given the EC a high profile in international trade negotiations.

All kinds of intermediate formulae short of membership, ranging from association agreements, high-level contact groups and common judicial institutions have already been proposed as a future framework for EC-Efta relations. But the Community must remain vigilant that none of the proposed solutions undermines its hard-won achievements. More than 30 years ago it resisted the first, British-led attempt to melt down the infant EEC, as it then was, into a wider free trade area without political aims or real international clout. During the forthcoming negotiations with Efta, the Community should make clear that the onus will be on those who wish to share its benefits to adapt themselves to the proven EC model — not the other way around.

* *Towards a new partnership: the EEC and Efta in the wider Western Europe, Helen Wallace and Wolfgang Wessels, EFTA, 9-11 Rue de Varembé, Geneva, Switzerland.*

FINANCIAL TIMES

Tuesday March 21 1989

Idle warriors polish their image

Tim Coone finds boredom the biggest enemy in the Contra camps

Killing time: Contra soldiers enjoy a game of baseball at San Jose de Bocay camp on the Coco River, which forms the border between Honduras and Nicaragua

THE "strategic command" of the US-backed Contras nestles beneath tall trees in an abandoned Honduran coffee plantation at Yamales, 20km from the Nicaraguan frontier and 100km along a dirt track from the nearest town of Danli.

Spread out in the surrounding hills are the camps of an estimated 10,000 Contras of the Nicaraguan Resistance, sitting out a war which is grinding to a halt and deeply uncertain of their future. Last month, the Nicaraguan Government promised far-reaching reforms in return for a Central American commitment to disarm the Contras.

Above the camps a US helicopter constantly clatters back and forth along the valleys, overseeing the distribution of $27m in humanitarian aid approved by the US Congress last year and which expires at the end of this month.

Inside Nicaragua, a further 2,000-3,000 Contras, short of ammunition and rotating with troops in the Honduran sanctuary, "keep up the image of the fight" according to their leaders. US military aid was suspended a year ago under pressure from Democrats in Congress.

The humanitarian aid consists mainly of uniforms, boots, campaign tents, hammocks, medicines and food as well as finance to pay a stipend to officers and NCOs. The Contras look neat and healthy in their US army jungle uniforms and boots. Indeed, they must be the best-fed and best-dressed warriors in the history of guerrilla warfare.

The field hospital has only pregnant women, some hepatitis cases and a few sick children as patients. Apparently, one of the biggest problems in the camps is depression, treatment for which is available with the latest drugs from the US (again courtesy of the US Congress). It may be a lovely war, but it produces a lot of idle, homesick soldiers.

Ready for action, but with no war to go to, the Contras are in a quandary. Recently Mr James Baker, US Secretary of State, briefed Congressmen on the outline of the Bush Administration's policy on Nicaragua: the US is considering lifting trade sanctions against Nicaragua in return for democratisation. The Contras are being put on ice.

Commandante "Ruben", one of the five Contra chiefs of staff at Yamales, said: "We must preserve our military structure at all costs. We are the guarantee that the Sandinistas democratise Nicaragua." That is precisely why Mr Baker is expected also to ask Congress for sufficient humanitarian aid for a further year.

Meanwhile in the camps, pep talks, jogging and volleyball now take up more time than weapons training. Indeed the arms are locked away to prevent them from finding their way on to the Honduran black market where an AK-47 automatic rifle can fetch $200.

Commandante "Jackson", second-in-command to "Ruben", sporting a jaunty green beret atop his jungle fatigues, designer sunglasses and a microphone – almost sculptured for a Hollywood film set – gave one such pep talk to 160 troops of Regional Command "Quilali".

"Nobody is going to disarm us," his voice crackled over the portable loudspeaker. "We are not a band of delinquents, we are *campesinos* in rebellion. The Sandinistas will not keep to their promises. . . we will only exchange our arms for democracy."

But clearly reflecting the confusion created by the Sandinistas' democratisation promises made at the El Salvador summit last month he added: "We do not know what the intentions of the regime are. . . but the resistance must participate in the National Dialogue and the electoral process through the opposition parties."

The confusion is matched by optimistic thinking. "Ruben" said: "The US Congress will not continue to allow the Sandinistas to consolidate in power. If the Sandinistas don't comply with their promises, we will receive more military aid." However, this contrasts with a briefing by Mr Baker to leading US Congressmen in which he apparently said that the Bush Administration would be willing to shift present US policy from one of trying to overthrow the Sandinista Government to one of "containment".

The fundamental point of difference is now whether the Sandinistas will be prepared to negotiate a separation of the armed forces from party control, a constitutional change which is not demanded either by the Esquipulas II peace agreements or by the recent El Salvador summit but which is being demanded by the Contras and the US.

However, if the Sandinistas comply only with their stated promises – principally free elections and a pardon for the Contra prisoners, but no constitutional changes – renewed military aid might be difficult to push through a US Congress tired of the Nicaraguan issue. "In that case we will continue the war with or without US military aid," insisted "Ruben".

He gave one clue, however, that the Resistance is preparing for the inevitable negotiations. A restructuring of the Contra army is taking place. The former regional commands and task forces are being replaced by a battalion structure. According to "Ruben", the 24 regional commands are to be incorporated into five brigades each with some 2,000-3,000 troops and each with its own command structure.

Officers are receiving training courses which include a three-day course on human rights. "It will be like a regular army," he said. One of the reasons, he said, is to make easier the possibility of negotiating the creation of a Nicaraguan army free from Sandinista party control and incorporating the Contras.

That will clearly be a key proposal in any bilateral talks between the Government and the Contras, the latter to salvage what they can of their well-heeled but increasingly idle army. And given the diplomatic moves made recently in both Managua and Washington, the pressure for renewed talks is steadily mounting.

Chinese reformer absent at People's Congress

By Peter Ellingsen in Peking and Colina MacDougall in London

CHINA'S National People's Congress, which meets annually to approve government policy, opened yesterday without Deng Xiaoping, the octogenarian leader and architect of the reform policy.

The absence of Deng, whose reform programme is in serious trouble due to rocketing inflation and allied social problems, was unexplained and unprecedented.

Premier Li Peng, usually seen as a conservative, noted in his opening report that the leadership last year had made many mistakes.

The central theme of his speech was austerity and control, with "a complete absence of new reform direction", according to one diplomat. It was a far cry from the flexibility and "get-rich-quick" philosophy promoted by Deng and the reformers in the early 1980s which helped China's living standards rise spectacularly.

While it is too soon to assume that Deng stayed – or was kept – away because his standing has slipped because of policy failures, he was reported in good health on Friday when he met the visiting Thai Premier.

Though he has often said he should retire, and may perhaps have begun to act on his words, he has earlier shown no inclination to stay away from key functions.

Also absent was Chen Yun, veteran conservative economist who has often criticised the reform, and by implication even Deng himself. A spokesman for the Congress said both had asked to be excused, although earlier reports had said Deng would attend.

Premier Li's report represented a triumph for Chen Yun and a defeat for Deng because it affirmed China's need to be prepared for several years of cuts to combat excessive growth and improve what conservatives see as instability.

It could also be seen as critical of the reformers since Li blamed "shortcomings and mistakes in our guidance" for the problems of last year, plus "a tendency to be too impatient for quick results in economic and social development."

Digging again at reformers who had sought to rationalise prices, Li added: "We were too optimistic in our assessment of the economic situation in 1987. Instead of controlling prices and the money supply, leaders relaxed control over and readjusted the prices of more commodities, only to intensify the panic of the masses."

Li said that the austerity programme imposed last autumn, which he has led, was correct, but results had fallen far short of the goal. He promised tougher controls on prices and tighter credit to halt official overspending, although there have been signs – such as rising unemployment and worsening energy shortages – that this programme brings its own problems.

Li praised Peking's measures to restore law and order in Tibet last week. However, he also called for a continued opening to the West.

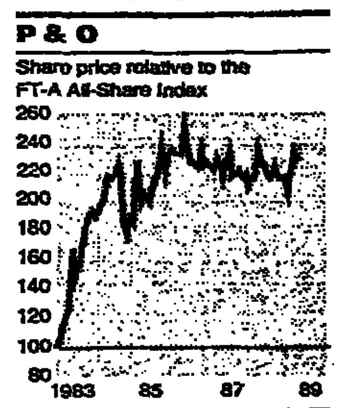
THE LEX COLUMN

A wider circle of worries

Yesterday was certainly not the Black Monday the more nervous feared it might be, but it was depressing enough. The further falls on Wall Street were due not only to the aftermath of Friday's producer price figures, but also to IBM, whose gloomy prognosis for this year has pushed the shares down 10 per cent from last week's levels. Today, much will depend on how far the US consumer price figures confirm the worsening picture on inflation; the only comfort is that the market is discounting fairly bad news already.

As the Tokyo market also illustrates, the worry about interest rates is widening. Part of Japan's problem is domestic, with the Recruit scandal making the Government look shakier by the day; and as luck would have it, inflation is set almost to double next month from its present 1 per cent as a result of changes in indirect taxation. But Japanese bond yields are creeping up, from 4.9 per cent late in February to 5.2 per cent now. With the Yen steadily weakening against the dollar, the snag is that while higher rates would be bad for equities, unchanged rates could be bad for the currency.

In the face of all that, the London market yesterday was surprisingly robust. This can only remain true for as long as UK interest rates look secure at their present level; another base rate rise is simply not in the price.



BSR

The "partnership" between Emerson Electric, with its sales of $7bn and 31 years of unbroken earnings growth, and the small, troublesome BSR, should suit both Emerson and the management of BSR perfectly. At last, BSR has found a rescuer with some power supply businesses of its own, and with all the financial and operational controls it needs so desperately. Emerson, meanwhile, will get BSR's manufacturing and technological know-how, and by taking a mere 45 per cent of the company, it stands a chance of keeping it, too.

BSR's shareholders, meanwhile, may feel less delighted about the creation of the world's biggest power conversion company. They are ceding control to Emerson without getting a premium for it, and should a full bid emerge later, the chances of getting much over the odds appear slim. However, yesterday's atrocious 62 per cent fall in profits gave such a grim account of the alternative that complaints are unlikely. Even if the figures are a product of over-zealous accounting designed to help the deal through, there can be no doubt that alone BSR is worth much less than yesterday's 6½p. The appearance of Emerson should put a floor beneath that price, and while the ceiling may not be much higher, if all goes to plan, shareholders will gradually get a share - if a diluted one - of the recovery.

P&O

The 15 per cent increase in P & O's 1988 pre-tax profits to £318.6m underlines why the National Union of Seamen lost last year's ferry strike. They underestimated the sheer financial strength which P & O has these days. The group was able to digest the £26m cost of a long strike on its main ferry routes, continue to increase its dividend by a steady 15 per cent a year and hold its gearing levels despite the £121m Sitmar acquisition. Indeed, it could have flattered its performance even more if it had followed the example of some of its rivals and taken £69m of property profits above the line.

The construction and property sides, which chip in over half of P & O's profits, took full advantage of the buoyant market conditions, increasing profits by a quarter. Although the group sold a considerable amount of property, its overall portfolio still grew by 14 per cent to £1.2bn. Meanwhile, the operating costs of P & O's ferries are now some £10m lower, and the group should have recouped its market share in time for the peak summer season.

The group's traditional deep-sea shipping businesses only managed a token profit rise, but they are being quickly overtaken by the group's fast-growing cruise operations, which should soon be earning over 25 per cent per annum on capital. There is no reason why the group should not earn over £400m this year; but a prospective multiple of around 10 reflects a worry that the revitalised P & O has yet to prove its mettle in a recession.

British Gas

British Gas's brand new policy of openness towards its shareholders got off to a cracking start yesterday. The unlooked-for intelligence that profits may suffer £75m this year and £100m next from the enforced industrial price structures made British Gas one of the few rising stocks in the market. The response was a little uncritical: while analysts had feared a greater impact, the extent of the damage depends on the assumptions made, and as British Gas reverted to its bad old ways of refusing to elaborate, no one was left much the wiser. As not even the company knows how its customers will respond, shareholders should treat yesterday's estimates as cautiously as the MMC took British Gas's neat bit of plea bargaining last year that the total cost could be £291m. But that does not mean the shares are too dear; never mind whether the effect is nearer £75m or £150m, the shares have a prospective yield of almost 7.5 per cent, and that is hard to argue with.

Enterprise

Yesterday's 44p drop in the Enterprise share price might have seemed in response to the news of Elf's $1bn bid for Pennwalt of the US. The truth was more mundane: the shares went ex-rights yesterday, and the fall to 550p was in line with the theoretical adjustment. In fact, the Pennwalt bid does little to change Enterprise's position. For Elf to extend its chemicals activities in the US seems logical enough, and does not necessarily imply any change in its upstream ambitions. It may make it that much harder to afford a bid for Enterprise, but that was never going to be easy for a company with apparently limited borrowing powers and market capitalisation of only some £4bn. But there is presumably no hurry; Elf will doubtless be taking up its rights entitlement too, simply because that tells the market nothing about its intentions.

Labour attacks Channon over press leaks

Continued from Page 1

the Toshiba radio cassette recorders found during the police raid on a PFLP-GC cell in Frankfurt on October 26 last year was sent to Interpol in Paris on November 8, the West German Federal Criminal Office in Wiesbaden said.

On November 15, a meeting took place at Federal Criminal Office headquarters with representatives from Germany's state governments and from certain unnamed "third countries", believed to include the US. At that meeting the German authorities provided information about the explosive-packed cassette recorders, including photographs, according to a Federal Criminal Office official.

"No further information can be given out", said the official in response to questions about the possible existence of further undetected cassette recorder bombs.

A senior official at Frankfurt airport said the airport had co-operated with inquiries following the Lockerbie disaster. According to some reports, the bomb which eventually destroyed Pan Am's Flight 103 was first loaded on to a Pan Am feeder flight in Frankfurt.

There was a limit to what the airport could do "with 60,000-80,000 passengers a day", said the official. Following the Lockerbie disaster, it had been up to Pan Am and the US and German authorities to decide what measures they should take, with the airport's role being limited to trying to provide any additional space required.

IMF to support debt reduction plans but without guarantees

By Stephen Fidler, Euromarkets Correspondent, in Amsterdam

THE managing director of the International Monetary Fund yesterday ruled out the use of IMF guarantees to accelerate debt reduction in problem debtor countries but said the Fund's resources could be used in other ways to support the process.

Addressing the annual meeting of the Inter-American Development Bank in Amsterdam, Mr Michel Camdessus made his most specific response yet to the proposals outlined earlier this month by the US Treasury Secretary, Mr Nicholas Brady.

The US proposals envisage IMF and World Bank support for a new strategy which focuses on lessening debt and debt service burdens in a voluntary framework.

Mr Camdessus told the meeting: "The granting of guarantees is not our vocation." However, he said the Fund could examine "in a constructive spirit" the possibility of using Fund resources to help replenish reserves used up in debt reduction programmes.

He elaborated on this to journalists later. In considering what a country needed to replenish its reserves "why not include their (debt) buy-backs and all other operations of this kind?" he said.

Mr Camdessus added: "We can support all these forms of operation, especially when the countries contributed with their own resources and own efforts." He said he would ask the Fund's executive board to consider favourably such ideas.

Mr Camdessus also reacted favourably to US suggestions that the Fund could start disbursing credits before a full financing package was in place.

This month is expected to be one of intense discussion among industrialised countries and the multilateral institutions ahead of the meeting of the Interim Committee of the IMF next month. The US hopes that agreement in principle on the strategy at this meeting could lead to more specific consideration of ideas immediately afterwards.

Reforms planned on share transactions

By Clive Wolman, in London

AN AMBITIOUS three-year set of reforms to standardise the ways of settling share transactions in different world stock markets and make them less costly and risky is being proposed by the Group of Thirty international financial leaders.

A report published today by the Group, which serves as a think tank on global economic and financial issues, makes nine recommendations aimed at eliminating deficiencies in the present clearance and settlement systems.

Its most radical suggestion is that all countries should aim to install a system by 1992 whereby all share transactions would be settled three working days after being struck. This would require a fundamental change in the current UK system.

The recommendations, drawn up by a 14-strong working group of specialists from the securities markets, were adopted unanimously by the 12-man steering committee of senior financial executives from eight countries with active capital markets chaired by Mr John Reed, chairman of the US bank, Citicorp.

A deadline of 1992 has been set for most of the recommendations, which are designed to reduce drastically the movements of share certificates and the amount of administrative paperwork involved in settling bargains.

The recommendations would also standardise international communications, checking and payments methods. They would also encourage methods of netting off transactions between large investors.

Trump blow to air union plan

Continued from Page 1

in a much weaker position for a reorganisation plan commanding approval among its creditors in the bankruptcy courts. This in turn could pave the way for direct intervention by the court in Eastern's management, one of the union's central goals in the dispute.

In demanding a price reduction on the shuttle, Mr Trump cited Eastern's loss of customers and its price reductions since the strike which had reduced the operation's value by between $100m and $125m "and maybe more," he said.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	S	24	75	Malta	S	19	66	Rhodes	S	19	66
Algiers	R	11	52	Edinburgh	F	5	41	Manchester	F	6	43	Rio de J'o		–	–
Amsterdam	R	7	45	Faro	S	18	64	Manila	F	34	93	Rome	C	19	66
Athens	S	18	64	Florence	C	10	50	Melbourne	S	22	72	Salzburg	S	10	50
Bahrain	F	21	70	Frankfurt	S	9	48	Mexico City	F	28	82	San Francisco	F	10	50
Bangkok	F	34	93	Funchal	C	16	61	Miami		–	–	Seoul	C	12	54
Barcelona	C	17	63	Geneva	C	9	48	Milan	C	12	54	Singapore	T	28	82
Beirut		–	–	Gibraltar	S	17	63	Montreal	F	-8	18	Stockholm	C	8	46
Belfast	F	5	41	Glasgow	F	6	43	Moscow	C	4	39	Strasbourg	S	12	54
Belgrade	C	18	64	Guernsey	S	10	50	Munich	S	10	50	Sydney	C	20	68
Berlin	S	13	55	Helsinki	S	2	36	Nairobi	C	26	78	Taipei	C	20	68
Biarritz	F	11	52	H. Kong	C	21	70	Naples	F	24	75	Tangier	C	15	59
Bombay	S	31	88	Innsbruck	S	14	57	Nassau	F	26	80	Tel Aviv	S	21	70
Bordeaux	C	12	54	Inverness	F	2	36	New Delhi		–	–	Tenerife	C	17	63
Brussels	R	8	46	Islamabad	F	22	72	New York	S	0	32	Tokyo	S	15	59
Budapest	F	7	45	Istanbul	C	10	50	Nice	S	16	61	Toronto	F	-3	27
B. Aires	F	26	79	Jakarta	F	33	91	Nicosia	S	19	66	Tunis	S	22	72
Cairo	S	25	77	Jersey	S	11	52	Oporto	S	13	55	Valencia	S	19	66
Cape Town	F	20	68	Jo'burg	F	24	75	Oslo	D	7	45	Venice	S	14	57
Caracas	F	27	81	Lima		–	–	Paris	R	7	45	Vienna	C	8	46
Casablanca	C	14	57	Lisbon	S	15	59	Peking	S	11	52	Warsaw	S	12	54
Chicago	C	2	36	London	S	11	52	Prague	S	12	54	Washington	F	2	36
Cologne	S	13	55	Los Angeles	C	13	55	Reykjavik	Sn	0	32	Zurich	S	9	48
Copenhagen	C	7	45	Luxembourg	S	10	50								
Corfu	S	25	77	Madrid	S	14	57								
Dallas	F	18	64	Majorca	C	16	61								
Dublin	F	5	41	Malaga	S	19	66								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Elf in $1.06bn bid for Pennwalt

Continued from Page 1

ate.

Pennwalt earned net profits from continuing operations of $48.3m, or $3.87 a share, on *sales of $1.02bn, against* $32.9m, or $2.53, on $846.3m a year earlier. After-tax gains from disposal made last year's final net $178.6m, or $14.34 a share.

Last year, Pennwalt generated operating profits from its industrial and intermediate chemicals businesses *of $90.3m* against $57.7m a year earlier, on sales of $531.2m against $429.3m. Special chemicals generated $45m on $492.4m against $45.3m on $416.9m.

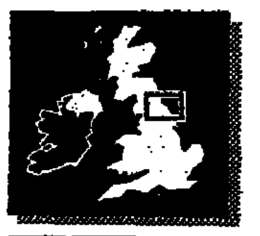
The chemicals industry has been one of the focuses for the attention of the French Government. Mr Loic Le Floch Prigent, former chairman of the largest French chemicals group, Rhone-Poulenc, and widely tipped to succeed Mr Michel Pecqueur at the head of Elf, is preparing a report, due next month, which is understood to favour greater concentration in the industry.

Government ministers have been concerned by a number of recent analyses suggesting French industry is insufficiently specialised, and attributing to this France's recent poor trading performance in manufactured goods.

Officials have been working on the development of sectoral industrial policies, though without the commitment of public funds which had characterised *the Socialist* Government in President François Mitterrand's first term of office.

SECTION III

FINANCIAL TIMES SURVEY



A year ago Mrs Thatcher took a walk on wasteland in Teesside to underline her promise of a new tomorrow for Britain's regions. There are signs that the enterprise culture is beginning to take root. But will it flourish? asks **Richard Donkin**

A test of commitment

MR RON NORMAN, chairman of Teesside Development Corporation, pondered on the idea: tourism in Teesside. "It's like fairy lights when the chemical works are lit up at night," he said. It has a certain fairy-tale quality during the day, too – grim.

A skyline that could have been designed by Richard Rogers, all pipes and plant and dull steel and smoke, provides a permanent backdrop to the cranes and cooling towers, novelty bridges and tubular half-built offshore platforms that litter the banks of the Tees.

A tract of wasteland marks the spot where Mrs Margaret Thatcher, the Prime Minister, took her now-famous walk in the wilderness to underline her election promise of a new tomorrow in the regions. A year ago Mrs Thatcher's wilderness was covered with weeds and tall grass. The weeds have been replaced by soil and hardcore. Nothing much has changed.

An increasingly impatient community is waiting for the Teesside Development Corporation (TDC), formed 18 months ago, to fulfil its promise and breath new life into a deprived area. Its chief executive, Mr Duncan Hall, is confident it can achieve an economic transformation. Although it may be too early to speak of a corresponding belief among the 550,000 Teessiders, there is a growing feeling that the area may not have been forgotten after all.

The disparate communities of *Hartlepool, Middlesbrough,* and Stockton-on-Tees were, and to some extent still are, fearful that an economic revival in the north-east will pass them by. Tyneside is undergoing a commercial renaissance; Sunderland has the Nissan car company to replace its lost shipbuilding. Teesside, however, down on the bottom rung of north-east economic recovery, in spite of all the TDC polish and marketing, still has the desolate image of a fading boom town.

It is easy to overlook the fact that initiatives were under way before the arrival of the Development Corporation. Some of the most successful include Belasis Hall Technology Park, an £8m joint development between ICI and English Estates North, which is one of the fastest growing science parks in the UK. Foster Church Business Centres has just announced plans to build a £5m office and laboratory complex there.

The CADCAM centre, where hi-tech resources are available to tenants at the Riverside Park estate in Middlesbrough, has been another success moving on to its third phase now under the mantle of the TDC.

Teesside, however, is an area of big industry: chemicals, steel, offshore construction. The maxim that the bigger they are the harder they fall rang true in the recession when thousands lost their jobs in steel and chemicals. Both are now recovering, and business remains brisk in the relatively new and growing offshore industry.

New industry is coming into Teesside where it can find factories. Mr John Hall, the developer said: "Demand is for units over 10,000 square feet. We could have filled our factories three times over."

The two enterprise zones in Teesside are virtually full but the area has no shortage of land for factory development. One of the new arrivals is the Dallas-based Integral Corporation, which has just opened a factory, initially providing 45 jobs to service the expanding telecommunications and cable television networks across Europe.

Some of the new schemes, such as the European Chemical Centre planned to the north of the Tees, are still in their early days, attempting to attract overseas development to the 400-acre site.

The development corporation, which has 19 square miles of land under its remit, has great flagship plans for office and retail developments – more retail than some local authorities think the area can sustain. Not everyone in Teesside is enamoured with its work.

Mr Stuart Bell, Labour MP for Middlesbrough, accuses the TDC of hiding behind a "euphoric cloud of propaganda and self publicity".

The TDC chief executive Mr Duncan Hall, points to his past success in the Corby steel town and says "wait and see". There is no doubting his belief in the area. As a Middlesbrough man he thinks he and his corporation can and will transform the area into a place fit for Teessiders. For the present, however, he must accept the fears and uncertainties of those who have lived through the recession years.

The corporation is dealing with separate areas bundled into a single conurbation under a single name. They are as alike as chalk and cheese.

Hartlepool can trace its history back to a monastic settlement in Saxon times. It was there that the townsfolk were said to have hung a monkey when they mistook it for a marauding Frenchman in the Napoleonic wars.

Stockton-on-Tees is proud of its 60ft-wide high street, a remnant of medieval times, and still a bustling shopping centre, but the local authority sees the proposed retail development of its disused racecourse under TDC patronage as potentially ruinous to local trade.

Middlesbrough, unlike Hartlepool and Stockton, is lacking in the sort of local heritage which can support a community over the bad times. It was laid out in the Victorian era on the grid pattern of towns in the United States. One of its few claims to fame is that it won the Britain in Bloom Competition in 1982.

Langbaurgh, the fourth borough council in Cleveland, was a creation of local government reorganisation in 1974. It takes in the communities of Eston and Redcar, the steel town, and rural villages bordering the administrative area of North Yorkshire.

The rural fringe reminds visitors that, however uninviting Teesside may appear, it is on the doorstep of some of the most magnificent countryside in the UK, within a few miles drive of the North Yorks Moors and the northern Dales.

The Teesside area appears to have been perennially at the wrong end of reorganisation. Under the local government reorganisation of 1968 it had a core body, Teesside Borough Council, to pull together the separate districts. This disappeared in 1974 to be replaced with Cleveland County Council. The indentity crisis was compounded by those north of the Tees owing their traditional allegiances to County Durham and those on the south side to Yorkshire.

Yorkshire Cricket Club still plays a match every year in Middlesbrough to maintain its stake in the area.

Cleveland remains an area of high unemployment: 14.9 per cent in a working population of 260,000 at the end of 1988, which was twice the national average. Male unemployment was 19 per cent. In some wards, such as Westbourne in Middlesbrough (35.6 per cent), male unemployment was topping 30 per cent – an improvement in figures of more than 40 per cent two years ago.

The birth rate in Cleveland is above average; the proportion of elderly people is below average. People in the wards with the highest unemployment can expect to live 10 years less than those in the wards with lower unemployment, according to Cleveland County Council statistics.

The future prosperity of the area may ultimately rely on Mrs Thatcher's much publicised commitment. There appears to be an increasing likelihood of resiting some government departments on Teesside. Plans to move about 1,500 Ministry of Defence jobs to the area by 1995 were recently announced.

Local government is taking a discernible back seat in the carve-up of Teesside's future: the main players appear to be the large corporations of ICI and British Steel coupled with an increasingly influential Tees and Hartlepool Port Authority, three or four entrepreneurial developers and the ever present TDC.

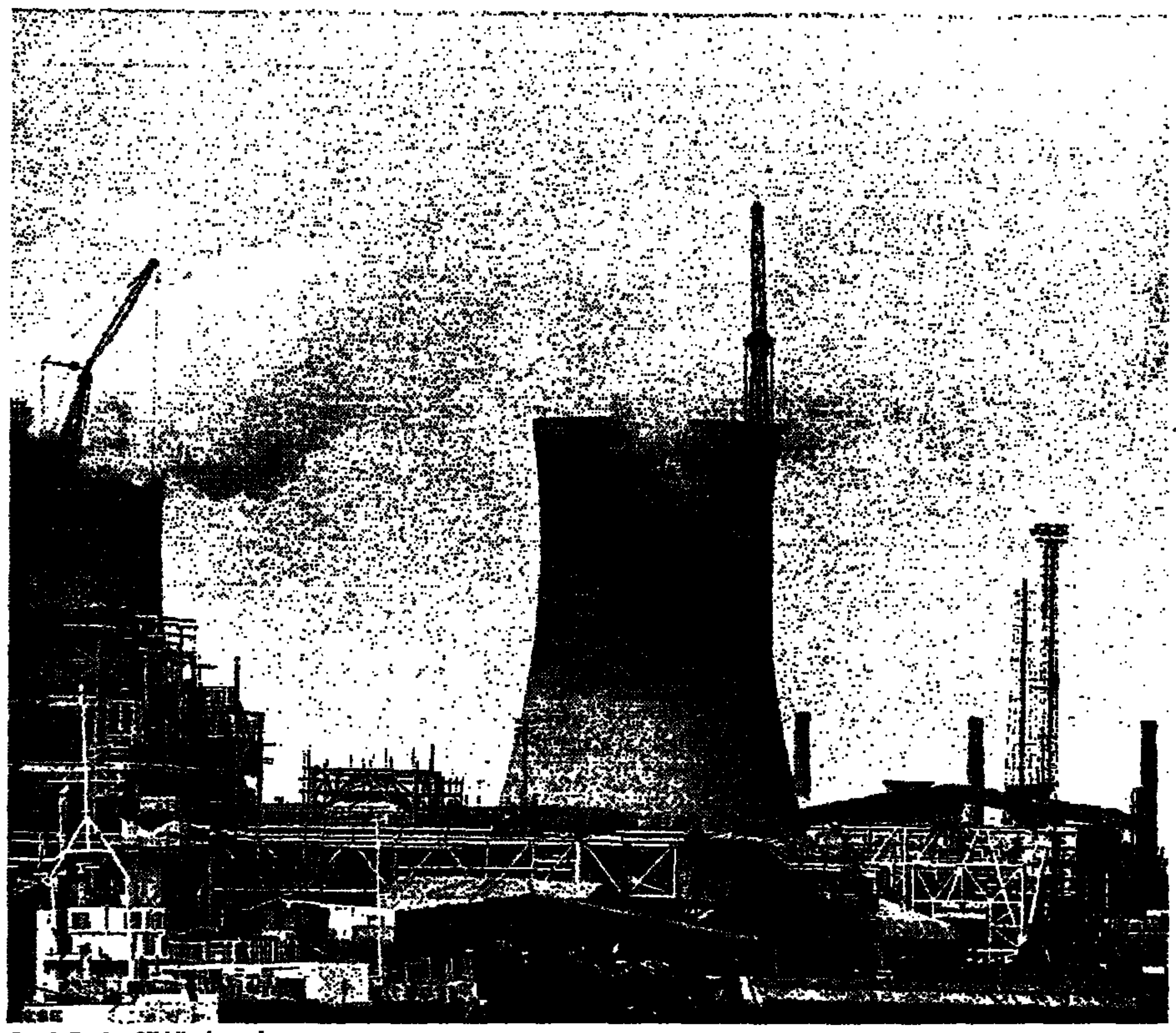
The entrepreneurs cannot be ignored. They are working within a radically changing scene, preparing to take advantage of the overheating economy in the south which is forcing companies with expansion plans to look northwards for development land and, above all, labour.

Mr John Hall, developer of the Gateshead MetroCentre is planning a £300m estate of houses, business park and leisure facilities with a hotel on nine square miles at Wynyard Park near Stockton. The programme, which he expects to take 10 years to complete, will ultimately provide jobs for 15,000 people, he says.

"These large development schemes are not done overnight. They take time to set up. Some of our hardest work has been persuading investors in the south that something is happening in the north-east," he said.

"If I didn't believe in the region I could have sold up and gone to live in the Bahamas. I have put my money where my mouth is and it's in the new north-east, not the north-east of the Jarrow march.

In spite of the dissenting voices, the signs indicate that Teesside could have a bright future. It is not guaranteed and what happened before could, conceivably, happen again but this time there is a political will to plant the enterprise culture. With a little extra impetus and commitment from business and the institutions, it should ensure that harvest time is this side of the next General Election. Mrs Thatcher is counting on it.



South Docks, Middlesbrough

TEESSIDE

CONTENTS

Mrs Thatcher: 'within four years I am going to be photographed on that site full of buildings'

DEVELOPMENT CORPORATION

Vision of revolution

TEESSIDE Development Corporation is 18 months old. With 19 square miles under its planning control it is the largest of all the urban development corporations and the one with personal prime ministerial patronage. Mrs Thatcher likes Mr Duncan Hall, its chief executive, and just over a year ago she came to see the dereliction which he inherited when she made her now famous walk in the wilderness.

The next time she walks on the Teesdale development site, one of the corporation's grandiose schemes, she will expect to see some symbolic monument to enterprise culture, particularly if it is in general election year.

Her decision to arrange a photo call on the site was a calculated move which caused a few raised eyebrows among her staff. Asked why she did it she replied: "Quite simple. Because within four years I am going to be photographed on that site full of buildings and that will just show you what we can do on Teesside and what enterprise can do."

A lot is riding on the success of this project. When Mrs Thatcher was returned at the last general election and declared emphatically from the steps of Downing Street that "we want them too" she was talking about the inner cities and she was talking about places like Teesside.

As the biggest and the most intensively funded, with £200m pledged over seven years, the development corporation cannot be seen to fail. With Mr Hall at the helm, a recognised winner after transforming the fortunes of Corby, the former steel town in Northamptonshire, the prime minister believes she has the best man for the job.

Teesside born, he has the energy and self-belief to pull it off. He also has the track record, although Teesside may prove a tough proposition. Corby's pocket of heavy industry was always out of place in the south where there was little shortage of private investment to take its place.

Developers in the north-east want incentives, guarantees, and packages to cushion the initial risk. At the end of the day they want worthwhile rents for their properties.

The Teesside Development Corporation is leading schemes to enhance the area and make it attractive to inward investors. It is also introducing a number of innovative inducements for developers. It has guaranteed the rents on two small developments and plans to take an equity stake in one of the larger schemes, the Hartlepool Marina.

The marina is one of six flagship developments which Mr Hall needs to get up and running if his dream of a new Teesside is to come to fruition.

Perhaps the most ambitious is on the 250-acre Teesdale site, the derelict former headquarters of the Head Wrightson engineering concern. Land reclamation has already started to make way for a proposed £110m office, retail and residential development to be undertaken by Murray International.

The development will not go ahead before parliamentary approval is given for the construction of a weir across the Tees at an estimated cost of between £15m and £20m. A road bridge is proposed further up-river.

The idea of the weir is to remove the unsightly tidal mud-flats which spoil the Tees banks at present to make the area more attractive for the sort of commercial and office projects envisaged.

Boosting the confidence of potential private investment is an essential element of the corporation's game plan, one reason why it has spent heavily (it will not reveal how much) on advertising and marketing itself.

"Our initial research found that spontaneous awareness of Teesside among businessmen was almost zilch. People did not realise that Cleveland and Teesside were the same place," said Mr Hall.

He said: "In many respects the biggest thing that has been developed in the past one-and-a-half years has been confidence."

He is aiming to attract £1bn of investment with the underlying aim at the bottom of all the calculations of providing thousands more jobs.

The corporation has been steadily increasing its spending from £5m in the first six months, £21m this year up to the end of March, with a £34m budget agreed for the new financial year.

The high-powered yet often vacuous language that goes with large scale development projects has led to accusations that the TDC is strong on rhetoric and short on results. One proposed development in particular – Teesside Park, an £80m leisure and retail complex on the old Stockton Racecourse – has upset some officials and the controlling Labour group on Stockton Borough Council.

The Teesdale plan includes a footbridge with shops over the River Tees. The TDC calls it the Ponte Vecchio; there are disenchanted officers at Stockton Borough Council who call it the Bridge of Sighs.

The inevitable emasculation of local authority planning power by the arrival of the corporation was bound to cause some resentment but most authorities appear to recognise that the TDC is working for a better Teesside. It is accepted that 18 months is still a comparatively short time in large-scale planning, particularly in the north-east and when it involves dragging in private investment.

The great fear is that any hint of recession or a national economic downturn could wreck some of the most ambitious ventures. Teesside slipped from boom area to depression in the late 70s and early 80s with a speed that its residents have not forgotten.

Boosting confidence is an essential element of the game plan

The development corporation needs one of its large scale projects to be up and running soon so that it can silence the growing scepticism in the surrounding area. At present it has the Tees Offshore Base which already employs nearly 600 people and is attracting increasing investment from companies involved in sub-ocean technology.

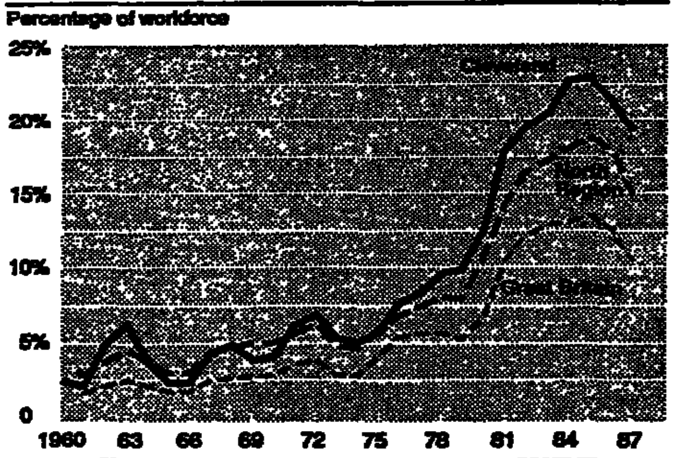
It also has two enterprise zones, Britannia Park at Middlesbrough and Hartlepool, but these are now almost full and were started before the TDC arrived on the scene.

Mr Hall is working in the grand manner. He speaks of the totality of the schemes coming together at the same time. He said: "I see a fundamental, cultural, and social revolution taking place in this area." It is a vision of the future that the ordinary pragmatic locals in Cleveland want to see, too, so they close their eyes and, behold, when they open them Teesside is still there.

Richard Donkin

Unemployment

Percentage of workforce



Government jobs

A TOTAL of 1,450 Ministry of Defence jobs are to move to Teesside from London. The quality assurance department of the MoD will relocate by 1995 to a 50-acre site purchased by Teesside Development Corporation from Whessoe at Preston Farm, Stockton-on-Tees.

The high-security site was offered to the MoD by the development corporation as part of a design and build package.

Out of the 1,450 jobs, 850 will be recruited locally. This will include 250 apprenticeships.

"Months of very hard work at top level have now borne fruit with this major government relocation," said Mr Ron Norman, chairman of the development corporation, when the decision was announced earlier this month. "The benefit to Teesside directly in terms of jobs and, indirectly, in terms of reputation is beyond measure."

CHEMICALS MANUFACTURING

Industry concentration

TEESSIDE is one of Britain's most concentrated sites for chemicals manufacturing and one which may well be in line for expansion in this field of commerce over the next few years.

The region is home to several big chemicals groups and is dominated by the combined Wilton/Billingham/North Tees manufacturing complexes of Imperial Chemical Industries, Britain's biggest chemicals company.

ICI employs about 14,000 people on Teesside, out of a total of about 18,000 who work in chemicals in the region. Other significant employers in this industry on Teesside include BASF, the big German chemicals group, which runs a plant at Seal Sands formerly owned by the US' Monsanto, and Chemoxy, Laporte and MTM, three British companies.

ICI – or more accurately one of its predecessor companies – has been active on Teesside since just after the First World War. Around that time Brunner, Mond, one of the companies as merged to form ICI in the 1920s, set up an ammonia plant in Billingham to make ingredients for fertilisers. ICI's big expansion in the region came after the Second World War when its huge petrochemicals plant at Wilton started up.

As a result of the general rationalisation of ICI's activities in the mid 1980s, employment by the company on Teesside has fallen from about 21,000 a decade ago.

Output, however, is significantly higher than earlier in the 1980s when the whole of the chemicals business was hit by world recession.

The plants run by the group in the region are part of ICI's chemicals and polymers division, a separate subsidiary formed two years ago to package together all the company's heavy chemicals interests.

ICI's Teesside operations are one of the company's most important concentrations of manufacturing activities around the world. They account for annual output of plastics, fertilisers and general oil-derived chemicals worth about £2.5bn, or roughly one fifth of the group's total sales.

The company's Wilton site has the distinction of hosting Britain's biggest facility for making ethylene – a widely used feedstock material derived from oil and used for producing plastics and a host of other chemicals. The ethylene factory makes 700,000 tonnes a year of the material, or roughly one third of Britain's total production.

Chemicals on Teesside does not, however, comprise just ICI. One of the other significant groups is Middlesbrough-based Chemoxy, which makes a range of specialist chemicals on behalf of big chemicals suppliers such as Dow Chemical and Arco of the US, Sandoz of Switzerland, France's Rhone-Poulenc and Britain's BP and ICI.

Mr Ian Stark, Chemoxy's marketing director, says that Teesside's chemicals industry has grown quickly in recent years and is a good place for further expansion. Chemoxy was formed in 1984 as a result of a management buy-out from an existing company called Carless Capel.

Since then Chemoxy has grown fast, doubling sales since then to about £8m a year. Chemoxy now employs 130 people, compared with 70 in 1984.

ICI's Wilton site hosts Britain's biggest ethylene facility

While most of the chemicals companies on Teesside are, following the lead of ICI, involved largely with making and selling bulk synthetic materials, in recent years some smaller companies involved in higher-value, research-oriented applications of the industry have set up in the region.

Several such companies are based on a technology park under development on 167 acres of land owned by ICI next to its Billingham fertiliser site. This park, called Belasis Hall, is being developed with £6.5m provided largely by English Estates, the government owned property agency. About 30 companies are on the site, which is managed by a small administrative unit of ICI. Demand for space on the park has surprised even the most optimistic forecasts and it seems likely the accommodation for companies will be expanded over the next few years.

One of the companies at Belasis Hall is Restec, a 14-person business set up two years ago which uses sophisticated equipment to test food and other chemically related substances for contaminants such as bacteria.

Restec, founded by Mr Alan Mole, a former scientist at the Ministry of Agriculture, Fisheries and Food, set up a laboratory on the park in December to add to its original base in Pershore, near Worcester. Mr Mole, whose company works for a variety of food retailers and manufacturers, says he has found the closeness of his new laboratory to ICI a distinct advantage.

"We have a large part of ICI's agriculture division backing on to us. It is good to know we can go a short distance to talk to experts there about scientific aspects related to food. And we get the use of ICI's technical library which is one of the best there is and probably gives us the edge on the competition."

The chemical industry is often linked to environmental problems and the business on Teesside is no exception. Mr Hugh Morgan Williams, project engineer at British Urban Development, a private sector construction group attempting to attract more chemical industry investment to Teesside, concedes that the business is sometimes thought of as a nuisance because of this connection.

He believes, however, that the difficulties can be minimised by siting chemicals factories some way from heavily populated areas and by ensuring companies have strict pollution control policies.

People are now more sensitive to this issue, he says. "The local population [on Teesside] is far more aware environmentally than it was even five years ago. It would definitely not want to see environmentally unfriendly chemicals companies brought to the area."

British Urban Development, a consortium of companies such as Costain, Trafalgar House and Sir Robert McAlpine, is working with Teesside Development Corporation in its efforts to bring more chemicals groups to the region. Mr Morgan Williams has high hopes of being able to announce within the next year significant investment plans related to Teesside by at least one such company that is not at present in the region.

Peter Marsh

Higher education plans are proving to be controversial

A need for careful study

MR KENNETH BAKER, the Education Secretary, is due in Middlesbrough on April 18 to open Teesside Polytechnic as a body controlled by central rather than local government. He could hardly arrive at a more controversial moment.

To begin with, it is tough for the local education authority in a smallish community simply to say goodbye. Cleveland County Council is proud of its polytechnic. According to Cleveland's director of education, Mr Alan Calderwood, the poly has been nurtured through bad years with cash additions from the authority's further education pool.

Its science faculties and, in particular, its chemical engineering department – being merged into a new School of Science and Technology –

Science faculties have a reputation for being tailored to local needs

have a reputation for research and for producing skills tailored to local needs.

Teesside Polytechnic is hoping to increase its full-time students from 4,600 to 8,000 by 1995, partly by widening its appeal to mature students and partly by recruiting direct from sixth forms.

If this sounds like a numbers game there could be a reason. Durham University is actively pursuing the idea of creating a university college on Teesside. There have always been those who felt Teesside should have a university as well as a poly, and their voices are coming to the fore.

The idea depends on government funding and, inevitably, on involvement by Teesside Development Corporation which, in any case, already supports Teesside Polytechnic. So Durham University's initiative, for a college of about 1,000 students, must tread carefully.

Dr James Barber, Durham's pro-Vice Chancellor, says that discussions so far have concentrated around an academic plan for the proposed university college. They have outlined four likely sectors: in-service educational training; health matters; environmentally-based science courses; arts and social sciences, particularly European studies.

Dr Barber feels that the Teesside college is likely to be more regionally-oriented than the main university, and be more sympathetic to mature students.

Teesside Polytechnic welcomes the idea of an "effective partnership" with Durham University so long as courses "avoid duplication". Durham's academic planning is likely to receive close study itself.

Finance has to be agreed this summer for the college to hold out any hope of starting by 1990, or more realistically 1991. Meantime, several potential sites are being assessed including the unused Middlesbrough Dock, the closeness of which to the town centre makes it a candidate for waterside renewal.

For the moment, however, Cleveland must content itself with watching the construction of its City Technology College around the shell of the former St Michael's RC High School. This £7m project is backed by BAT Industries and not, as Mr Calderwood pointedly says, by high-profile local employers.

The CTC, due to open in the autumn, has a target capacity of 1,000 pupils. Cleveland's schools suffer from falling roles like others around the country, as St Michael's testifies. The director of education therefore feels the CTC to be an "ill-judged and unnecessary initiative".

He disputes the contention that the CTC will accept significant numbers of pupils from deprived inner areas. "We shall monitor and we shall see," Mr Calderwood warns.

No monitoring, so far, is needed for Cleveland schools over opting-out. Mr Calderwood reports that he has seen little indication of any such wish. On a performance index, Sheffield University recently found Cleveland schools and sixth form colleges among the best in the country. Such results, perhaps, are Mr Calderwood's strongest defence.

Robert Waterhouse

Offshore technology is being developed locally

Second opportunity

"I AM not motivated by jobs." Heretical words indeed from the prime-mover of the highest profile Teesside Development Corporation project to date, the man who opens doors for business associates in Whitehall and Westminster.

In other respects, however, Mr Charles Tompkins, managing director of Northern Ocean Services, seems an ideal purveyor of those well-publicised TDC maxims – Initiative, Talent, Ability.

Mr Tompkins is a self-effacing man with a burning ambition. A former motor industry mechanical engineer, he launched his own company in 1985 on a capital of £50,000 with no less an aim than developing a whole new world of sub-sea technology for oil and gas recovery.

A combination of circumstances, propelled by his own determination, has given Mr Tompkins every opportunity of achieving his ambition. Indeed, the main components for success are already in place.

Northern Ocean Services remains a relatively small company, employing around 30 people. But last autumn it became part of the Cable & Wireless group, which acquired a majority shareholding for £400,000. This modest sum was quite acceptable to Mr Tompkins. He had been biding his time to attract the right parent company. His plan needed finance.

Cable & Wireless have committed an initial £3.5m of development capital. They have also taken a 30 per cent stake in three specialist North Sea vessels for a further £4m. Their confidence, no doubt, was bolstered by the existing partners in Tees Offshore Base – the Tees and Hartlepool Port Authority and Teesside Development Corporation.

The base is taking shape in the 120-acre Smiths Dock, not far from Teesport. It is already a unique partnership of international companies specialising in the high-cost, high-risk, high-profit business of North Sea exploitation.

The names, each with defined roles, include the Norwegian Andreas Ugland group, which operates the vessels; Coflexip SA, pipeline specialists; Marathon Oil, which works the Brae Field platforms in the Central North Sea; and LV Shipping, suppliers to the offshore industry. Cable & Wireless (Marine) bring their long experience in sub-ocean telecommunications.

They are gathering together, on the still unprepossessing surrounds of Smiths Dock (TDC have a £10m infrastructure programme), to develop the next quantum leap in offshore technology. Important reserves of oil and gas remain beneath the North Sea but fields will become smaller, more costly and more dangerous to exploit. The days of the massive platform, the sort of thing Teesside has built for decades, may be numbered.

In its place, so the theory goes, sea-bed well-heads, installed and maintained by robotics, will enable oil and gas to be extracted, separated and recovered without surface installations. The key is unmanned sub-sea separation and pumping technology, which Northern Ocean Services intend to pioneer.

Smiths Dock affords ample space for project development. Two parallel former dry docks are being converted into a sub-sea testing facility where all the conditions of the sea bed, apart from ambient pressure, are simulated.

It is here that theory of the multi-phase fluid conditioning plant will be developed and monitored. The sea bed simulator will also allow proving of parallel technology like underwater robotics.

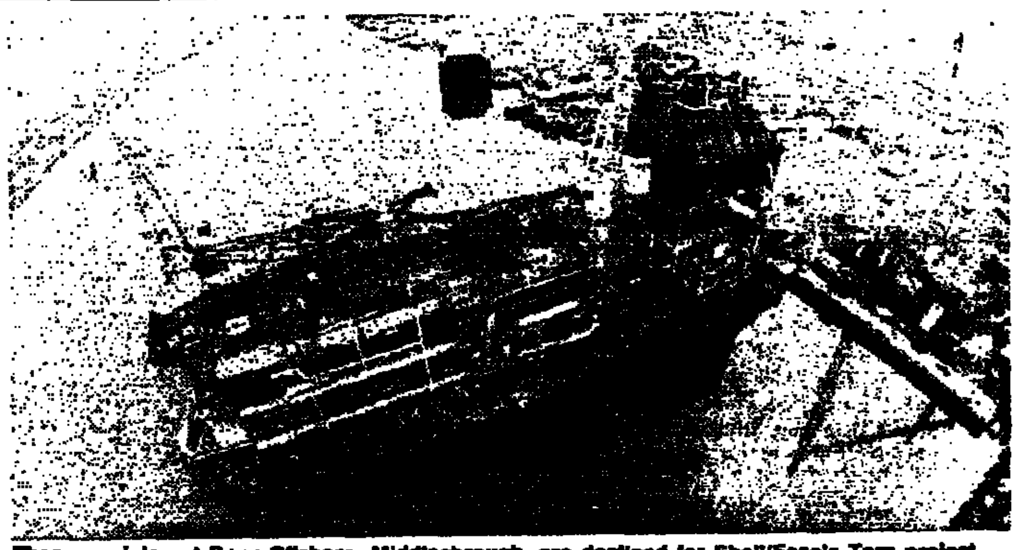
Charles Tompkins is fully aware of the opportunity. "If the sub-sea separator works the sky is the limit," he claims, with entrepreneurial licence for the elements. "We know that we have just one shot, and we're going to succeed."

He feels that the North Sea so far represents a succession of missed chances for Britain, handled with a typical lack of cohesion. "The Americans came in and brought their own expertise, which wasn't well-suited to North Sea conditions. They came and they went. The technology still lies with the US.

"Sub-sea exploitation is our second opportunity. I want to ensure that the technology is here." He is convinced that Teesside has all the necessary skills and resources. "For instance, 30 per cent of all UK engineers come from Teesside. In London and Aberdeen, the two other recognised offshore centres, it is difficult to attract the right people. But we are benefitting from those who wish to return to their roots."

If Charles Tompkins' ambition is realised, Teesside will become the focus of offshore technology, with its added potential in sea-bed minerals extraction. And, he almost forgets to mention, Tees Offshore Base will be employing 2,000 people. For a man not motivated by jobs that's a reasonable return.

Robert Waterhouse



These modules at Davy Offshore, Middlesbrough, are destined for Shell/Esso's Tern project

PROFILE: FRAME CLOTHING

Suited to expansion

ABOUT 40 machinists have been undergoing an intensive training programme in the past few weeks to equip them for work in a new factory in Hartlepool.

The 20,000sq ft factory, opened in February by Frame Clothing Company, of Reading, Berkshire, is one of the most visible signs of businesses in the south-east considering Teesside in their expansion plans.

Dr John Bridge, chief executive of the Northern Development Corporation, has noticed a dramatic increase in inquiries by companies in the south looking to the north-east, so much so that he established a UK office to process them just over a year ago. From more than 300 enquiries, about a dozen companies have either settled in the north-east or set up branches creating between 7-800 jobs as a result.

Frame, in the latter category, makes the Mr Harry brand of suits, jackets, blazers and evening wear for the UK and US markets.

Mr Harry Rael-Brook, the chairman, who bought Frame in 1967, had been looking for a year throughout the north, South Wales and in Ireland for potential sites for a new manufacturing branch. He settled on Hartlepool when he found a factory which appeared perfect for his needs.

Recruitment problems in the electronics-dominated Thames Valley, with virtually zero unemployment, had proved the one factor standing in the way of expansion in the south. "We trained a lot of people and a tremendous percentage left us," said Mr Rael-Brook.

Considering that it costs the

Continued on Page 6

British Steel remains a key wealth generator

Productivity strides

THE TREMENDOUS slide in the numbers employed in the steel industry on Teesside has been a very important element in the way dependence on heavy manufacturing took its toll on the area's jobs base.

British Steel employed 28,000 on Teesside in 1970, steadily falling to 21,000 in 1979 before dropping dramatically to 6,600 at present. These figures exclude Consett, the former integrated works in Durham, which was part of British Steel's Teesside operating unit.

However, British Steel still remains a key employer and wealth generator in the area, employing more people than any other single manufacturer with the exception of ICI.

The Teesside operations within the general steels division of the newly-privatised company have also benefited from the huge strides the company as a whole has made in modernisation and productivity improvements.

British Steel's Teesside business was producing liquid steel in February this year at the productivity level of 3.1 man hours per tonne compared with 16 back in the heavily overmanned days of 1979. In the past few years, investment has been running at about £25m to £30m a year.

Britain's biggest steel maker is not the sole piece in Teesside's steel industry. Other companies are suppliers of services to the steel industry or providers of basic steel components.

Davy McKee at Stockton, for example, employs 1,100 on project engineering for iron, steel, and non-ferrous plant and has been an important management agent for some big investment projects on Teesside.

British Steel, though, is the heart of the area's steel industry. Teesside is one of the company's five integrated sites in the UK though there are, in reality, several plants there separated by more than 20 miles.

Redcar is the iron-making centre with a single blastfurnace, the biggest in Europe with a hearth diameter of 14 metres. It was shut down in 1986 for a major rebuild at a total cost of £50m and is now producing above its design capacity of 10,000 tonnes a day.

Lackenby is the steel-making site producing slabs and blooms. These are sent to Skinningrove down the coast which supplies special sections for heavy earthmoving and lifting equipment.

Lackenby also supplies steel for British Steel's Workington rail-making site in Cumbria and to Corby for tube making and to Shelton for small sections and flats.

Recent investment at Lackenby includes a £13.7m electric arc furnace and an £18.7m slab re-heating furnace in its beam mill.

Lackenby is claimed to be the only mill in the world which rolls a full range of beams and columns from continuously cast steel.

Cleveland works is a shadow of what it once was, producing ferro-manganese and foundry iron. The Hartlepool works has also gone through a traumatic shrinkage, part of the plant and the land around it lying empty and abandoned. Hartlepool still makes pipes of between 20 inches and 40 inches in diameter.

Much of British Steel's Teesside operations are very busy now. But in the long term, the company could move from five integrated sites in the UK to three or even two. That could involve a decision, perhaps sometime in the mid 1990s, on whether Scunthorpe, Humberside or Teesside will remain as the company's east coast production centre.

Nick Garnett

TEESSIDE 4

Competition between retailing developments is intense

Only so much to go round

RESEARCH suggests that shoppers come into Cleveland to buy convenience foodstuffs but tend to travel out to buy consumer goods. The net figures, not huge, support anecdotal evidence of trips to Newcastle or the Gateshead MetroCentre for larger items.

In recent years Middlesbrough has been promoted as the main sub-regional centre. This has succeeded to the point where county planners believe it can look after itself. But Middlesbrough's growth was achieved at a cost to Stockton. In a less than dynamic economy there is only so much to go round.

Which is why Cameron Hall Development's proposal to build a mini-Metro in the Britannia Enterprise Zone was opposed by all except Middlesbrough Borough Council, which saw it as an extension of the town centre. The original 500,000sq ft scheme was slimmed down to 200,000sq ft but still rejected by Teesside Development Corporation, which became planning authority during the process. Cameron Hall did not test the decision at appeal.

However, almost in the same breath, TDC announced their partnership with Brookmount to develop Stockton Racecourse as a major retail park combined with leisure and conference facilities. Teesside Park includes 450,000sq ft of retailing, with 375,000sq ft of comparison shopping – more than half the total volume of Stockton High Street.

Of course, every council opposed that one. Stockton and Middlesbrough saw it as a body blow. Cleveland County regretted that it breached the structure plan. And everybody admitted, tacitly, that if there was one location to pick for successful retail development, Stockton Racecourse, a triangle bounded by the A19, the A66 and the A1130, had to be it.

The development corporation's planning consent for Teesside Park was not called in by the Environment Secretary after the councils appealed. Nor did Middlesbrough and Stockton win their High Court bid for a judicial review. The decision stands, and Brookmount are poised to start their flagship development which includes a £40m 350,000sq ft leisure complex.

Mr Simon Evans, the TDC's principal planner, defends the process whereby the corporation – a partner in Teesside Park – in effect grants itself planning permission. "We examined all the planning issues, and commissioned an impact study which came to the conclusion that its implications were not detrimental. My board recognises the importance of maintaining the viability and vitality of existing centres."

As proof of its intent, TDC has joint-funded a major study of Stockton High Street, which is outside the designated area but even closer to the second major TDC project, Teesdale. This mixed-use scheme, to be developed by Murray International, has a smaller but important retail element – speciality or festival shopping, which draws people over a pedestrian bridge from Stockton High Street.

Stockton Borough Council's economic development officer, Mr Andy Edwards, is concerned about TDC's sudden interest in Stockton. Are shoppers really going to be drawn across the bridge in their thousands, and if so where does that leave the high street?

Mr Edwards expresses the frustration of local government officers apparently kept in the dark about development proposals they no longer control: "We don't know what they're doing, so how can we object?"

Stockton felt so incensed by Mr Ridley's verdict on Teesside Park that they declined to defend their own earlier planning refusal for a 129,000sq ft superstore at Preston Farm, prime industrial land in the development corporation area. The morning of the appeal hearing Stockton stood down. But TDC seized the opportunity to act for them, with county council support. The appeal was duly rejected, and TDC are currently talking to the developer, Paul Caddick, about other uses.

In this game of spot the trump Middlesbrough Borough Council have a court card by the name of Mr John Hall, of MetroCentre fame. Mr Hall is the chosen developer for the last quadrant of prime retail space in Middlesbrough town centre, unromantically called Area 1 South.

This £7m scheme, which Cameron Hall has named Middlesbrough Speciality Centre, includes 60,000sq ft of festival shopping with a small element of foodstuffs. Festivals here, too?

Murray International's Teesdale proposals have been compared to the Ponte Vecchio and to Tivoli-on-Tees. Mr Hall's inspiration is similarly Continental and exotic. According to the planning brochure: "The atmosphere is buzzing with market stalls, kiosks, the sounds, colour and smells of the bazaar and the Parisian street cafe."

The visual draw of Mr Hall's mini-mini-Metro is an indoor leisure pool with a tropical environment – or, in the words of the brochure, "an atmosphere of escapism, excitement, anticipation, intrigue and surprise." There may also be a multiplex cinema.

'We don't know what they're doing, so how can we object?'

Strangely enough, these are two of the proposed leisure components in Brookmount's Teesdale Park development, "where you can swim safely among foaming rapids, weirs and geysers". (A third, an ice rink, is already in existence at Billingham Forum; Stockton just happens to be updating it).

Competition forms a strong part of the ethic to which both Mr Hall and the TDC subscribe, so it will be instructive to see whether Middlesbrough Speciality Centre or Teesside Park is the first to invite plungers.

Meanwhile, Hartlepool, not to be outdone, plans festival shopping in its marina. But just to underline that it can stay abreast of the times, a £1.7m "enlivenment" of its Middleton Grange Shopping Centre opens in May.

The enlivenment encourages shop keepers to open up store fronts by glazing over a square previously exposed to the elements. "The approach to the design ... has been to provide Hartlepool with a uniquely individual identity based on the town's strong maritime traditions," the handout says. No escapism allowed here.

Robert Waterhouse

INDUSTRIAL DEVELOPMENT

Incentives build up confidence

ENGLISH Estates North are an institution on Teesside. Over the years they have proved the only developer able to offer a flow of advance factory units. That, after all, as a state-aided body in a development area, has been their job. But English Estates have a problem: the market has overtaken them.

Mr Ed Rowley, their senior development surveyor, is both delighted and slightly embarrassed. "It's wonderful. As soon as we build units they're gone." Things were not always thus, and English Estates are sensitive to any private sector suggestions of privilege.

"We have the means to pump-prime. We can help build up confidence in an area by showing that schemes work at commercial rents. Once we do, private developers are fairly quick to move in."

Developers, too, are offered incentives. Mr John Irwin of *Storey Sons & Parker* points out that every new industrial development on Teesside since 1980 has received some form of subsidy. However, he sees the market as, indeed, firming all the time.

Middlesbrough's 190-acre Britannia Enterprise Zone, where *incentives are available until 1993*, is a classic case of public sector involvement fuelling private sector activity. English Estates and Middlesbrough Borough Council co-operated in developing phases one and two of the CADCAM centre, where hi-tech resources are available to tenants.

Phase three is being built by a developer, Paul Caddick. Other private-sector participation includes Brighouse Taxinvest, Pilkington, TransBritannia and Bulkhaul.

Middlesbrough council has signed a "memorandum of accord" with Cameron Hall Developments which recognises each other's significant land-holding in the enterprise zone. The accord states that both parties will give each other advance warning of development proposals. The two are co-operating on Britannia Park, where Cameron Hall has built over 200,000sq ft of industrial units and further proposals involve a business and a retail park.

Belasis Hall Technology Park represents a different kind of joint venture. Here English Estates have been in partnership with ICI beside the company's Billingham fiefdom. Belasis offers tenants unique access to ICI's research and development resources, something which its chief executive, Mr George Hunter, himself an ICI senior manager, claims to be an irresistible draw. There is growing evidence of companies moving into the area to benefit from ICI.

Belasis tenants can call on all the usual amenities to help starter firms plus Springboard, a business package backed by Barclays Bank and Price Waterhouse. Phase one has been let very successfully – its 30,000sq ft going in 46 units over just nine months.

Phase two, nearing completion, offers four freestanding pavilions of 10-20,000sq ft, just the sort of space which both Mr Rowley and Mr Irwin agree is in greatest demand. Mr Hunter says that strong interest has already been shown in *all four pavilions*.

"I thought it would take two or three years before we attracted the larger companies. But the plain truth is we can't build fast enough," Mr Hunter says.

Public sector involvement is fuelling private sector activity

Having run out of smaller and medium-sized units, plans for phase three of Belasis are at an advanced stage of approval. It will comprise 100,000sq ft in six buildings around a central services core. And this time development is to be financed privately by Foster Church.

Rents at Belasis, from £4.25-£5 per sq ft, are setting new records for Teesside, although hi-tech office space on the Middlesbrough enterprise zone can fetch up to £6.50. Elsewhere, English Estates have negotiated between £2.65-£3 for largish industrial units at Hartlepool, and £2.80 on 10,000sq ft in their own thriving Teesside Industrial Estate at Thornaby.

English Estates will continue to build 10-25,000sq ft units on the estate, which also has a fully-serviced 35-acre site on offer. Nearby, at Preston Farm, the recently-announced MoD offices should set standards for another prestige employment area. One way or another the market is working its way to a genuine and healthy diversity.

RW

Plans for Hartlepool Marina need Treasury approval

Flagship waits to sail

MR BOB Campbell-Barr is a senior member of the Lovell Partnerships team which has spearheaded waterside urban renewal projects around the country. He had early involvement in the original Phoenix inner city proposals. Mr Campbell-Barr lives in Sussex, but for the next six or seven years Hartlepool looks like being his adopted town.

Apart from domestic inconvenience and commuting challenges — "it takes me longer to get from home to Heathrow than from Heathrow to Hartlepool" — Bob Campbell-Barr is delighted with his latest posting. He regards the 185-acre site of Hartlepool Marina, where he is project manager designate, as the best potential waterfront development in Britain aside, perhaps, from Birkenhead with its views of the Liverpool skyline.

Lovell, the Tees and Hartlepool Port Authority, and Teesside Development Corporation are expecting confirmation within days that the Hartlepool Marina proposals have gained full Treasury backing. Until that moment, detail plans are not publicly available. It is 24 years since a marina was first proposed here and patience is a way of life.

Hartlepool Marina is high on the list of flagship projects identified by TDC. It has the advantage, indeed the joy in a local context, of being wholeheartedly supported by the borough council. But approval could still prove a tough process with the development corporation's paymasters. The reason, as ever, is gearing: infrastructure accounts for £50m of the anticipated £150m investment.

As part of a working port, Hartlepool's Union and Jackson docks handle bulk business including a purpose-built scrap terminal which would need to be transferred to a new deepwater quay on Victoria Dock to make way for the marina, separating operational and leisure uses. Such relocation makes sense for the port, which has more than enough capacity. But it is a very expensive business.

There will be no shortage of skills to service the 450 moorings

Once infrastructure costs are agreed everything else falls into place. The Hartlepool Marina project is a natural fit.

Research suggests that Hartlepool is the natural East Coast pleasure craft haven between Hull and Berwick-upon-Tweed, and is well-placed for North Sea crossings. Its harbour entrance gives protection from the elements and will afford 16-18 hour daily access to the marina. The microclimate is surprisingly clement.

Successful restoration of HMS Warrior in Coal Dock (part of the marina site) underlined Hartlepool's involvement with matters maritime. The next major candidate is Foudroyant, the Leader class frigate dating from 1815, and the borough council has itself acquired Wingfield Castle, the locally-built paddle steamer which used to ply the Humber. One restoration project leads to another. There will be no shortage of skills to service the 450 moorings.

Quayside development involves transformation of the south dock area. There will be up to 1,500 housing units, varying from exclusive high-security apartments to family town houses and flats for rent. A three-star 125-bed hotel with leisure facilities, speciality shopping, restaurants, pubs and a hi-tech business park completes a package similar to others around the country. Halliday Meacham, the Cheshire-based architects who designed successful waterside schemes at Swansea, Bristol and Salford Quays, have produced a preliminary plan.

What is different at Hartlepool is the scale of the exercise compared with the size of the town. The marina project is so large that Lovell, who plan to invest £10m-£15m in the first phase, will bring in up to 20 other developers to share the risks and the profits. They are already talking to three volume housebuilders and some eight commercial developers for phase 1.

The marina will help create a physical link between the two Hartlepools — the old settlement on the headland and the main town built in Victorian times. Initial plans show an intention to integrate town and marina by rejuvenating Church Street where many magnificent façades have survived decades of neglect. Pedestrians will be drawn to The Hoe, an open space visible from Church Street, and into the marina, where new sea walls will form a promenade all the way to the resort of Seaton Carew.

Mr Campbell-Barr says the marina will bring 1,500-2,500 permanent jobs to Hartlepool, depending on the mix of development. During the construction phases some 800 will be employed on civil engineering and building work. This is a significant contribution to a town where unemployment remains sturdily above average despite multi-faceted attacks on the problem. Training schemes are already under way so that the right sort of skills will be available when the opportunities arise.

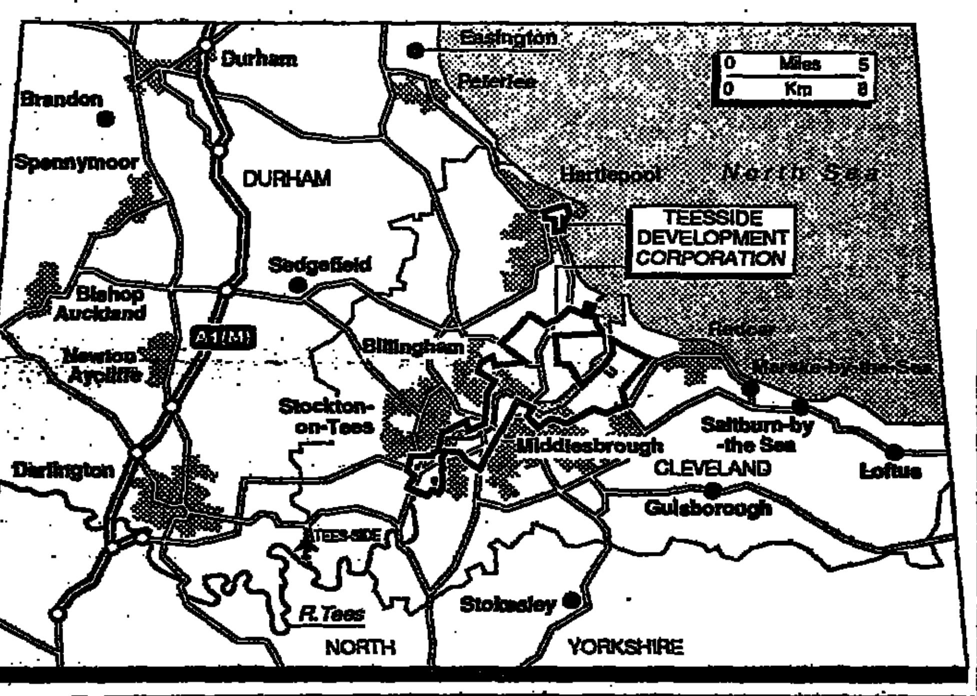
Hartlepool's economy, once heavily dependent on shipbuilding and steelmaking, is being diversified in a role model for Teesside. Using enterprise zone and development area incentives, the borough has succeeded in attracting firms seeking to relocate.

Examples include firms like Stadium, which moved its head office from Enfield to a 14-acre Hartlepool site, where the original 250 jobs are soon to become 400. Soon after it arrived in town Stadium picked up an order for supplying interior trim parts to the Sunderland-built Nissan Bluebird. Now the company has acquired a further six acres for a 65,000sq ft electronics factory. It also operates its own training centre, and has taken 50 workers from the long-term unemployed lists.

Hartlepool's isolation from the rest of Teesside, let alone the rest of the country, has always made it an attractive place to put down roots. House prices tend to be above the local average, but the past year has seen dramatic increases. Three and four-bed detached houses, for example, almost doubled in value.

Lovell were expecting to "oversell" the local market by 60 per cent for marina housing development. Now that this market has moved ahead so rapidly Lovell's calculations look that much better. No wonder they call their project office Hartlepool Renaissance.

Robert Waterhouse



THE NEW DEVELOPERS

Visible achievers

"WE ARE the new entrepreneurs. The people of this area were always known for their achievements. They built the best bridges, they solved engineering problems and fostered a kind of individualism that is being created again by the prime minister."

Speaking like a latter day George Stephenson, Mr John Hall, whose soft north-eastern accent leaves no one in any doubt about his origins, outlined the new spirit abroad in the region.

Mr Hall is one of the proponents of the "A19 corridor", a ribbon of manufacturing and commercial development proposed along the main artery serving the north-east.

He plans to turn the nine square-mile estate around his home, Wynyard Hall, the 19th century former seat of the Marquesses of Londonderry, into one of the most progressive developments in the UK.

Outline planning permission has been granted for three golf courses, a hotel, and 400 detached houses in a new village over 100 acres. The plans also include 500 acres of business park with 5m sq ft of floor space for offices and research and development companies.

He is not alone in hoping to draw further government departments out of London. Leisure proposals include a 100-acre lake, a cricket pitch and land for clay pigeon shooting. He expects the £300m investment to take 10 years to complete. "It is a Gleneagles and a Wentworth with business parks," he said.

Mr Hall, a board member of the Tyne and Wear Development Corporation, is a firm believer in the principles behind the foundation of the national network of corporations and their role in stimulating new developments.

"There is no financial base here and you still need pump priming which the urban development corporations can provide," he said. We are not asking for long-term subsidies. I want to see a day in 10 to 15 years time when we don't need any subsidy at all."

Mr Hall, and Mr David Murray, of Murray International Holdings, who owns the Teesdale site, are two of the most visible of the new breed of northern property developer on Teesside.

Both are larger than life figures who share similar backgrounds. Mr Hall was the son of miner, Mr Murray, the son of a coal merchant. Both are self-made and both have an acquisitive attraction for football clubs. Mr Murray owns Glasgow Rangers and Mr Hall wants to own Newcastle United.

Mr Hall plans 'Gleneagles and Wentworth with business parks'

Mr Murray, aged 37, is a remarkable man by any standards. He started out in business, working for his uncle's metal dealing firm until his uncle sold it. Vowing to work for himself next time, he started Murray Metals, a steel stockholding business, after taking a second mortgage on the family home in Edinburgh.

Three years later he lost both legs in a car accident. As a sportsman who once had aspirations to play for his home team, Ayr United, it was devastating blow, but it did not prove a setback in his business life. He tried to buy Ayr United before he bought Rangers but he was refused.

Ayr were probably the losers. With Mr Graham Souness, the Rangers manager, he has built the club into one of the most successful in Europe and the outstanding model of the way in which a football club can be run along business lines.

He owns 91 per cent of Murray International, a company which employs 900 people in the fields of steel stockholding, metals testing, electronics, office equipment and property development.

His first large-scale development scheme was the £100m Port Hamilton office, retail and housing scheme off Lothian Road, Edinburgh.

For a man who made his first property deal at the age of 18, when he bought a flat for £900 and sold it for £1,400 after doing it up, the purchase of the Teesdale site, which is now attracting a personal interest from the prime minister, proved a considerable coup.

Mr Hall, the 55-year-old chairman of Cameron Hall Developments, of Gateshead, is, like Mr Murray, a multi-millionaire. This socialist turned Thatcherite grew up in Ashington, a mining community near Newcastle, and started his career as a surveyor for the National Coal Board.

Best known for his Metro-Centre shopping complex in Gateshead, he intends to build on the success with an even more ambitious development around his country home which he bought out from the ninth marquess of Londonderry in 1987. There was some satisfaction in the son of a miner buying out the family which had run the local coal industry during the 19th century.

Mr Hall had wanted to build a "mini-Metro" in the Britannia enterprise zone but the TDC turned him down, insisting the land should be developed for industrial use. Now, in a joint venture with Middlesbrough Council, he is building 220,000sq ft of factory units on 100 acres of Britannia Park. He also plans to develop 80,000 to 100,000sq ft of shops in the centre of Middlesbrough.

Richard Donkin

A housing estate with more than its fair share of problems

Eton and Oxford stand empty

The Clarences: shortly to be refurbished

RUGBY, Harrow, Eton ... names to conjure with on the Clarence estate in Middlesbrough. They jump out from the street signs as you drive alongside the railway cutting that blots out a view of the river.

Any link that the Clarence estate could have with élitism ends with its street names, clearly the product of a fertile imagination or someone with a warped *sense of humour*. The Clarences, as it is called by the locals, was for many years a forgotten estate: 312 houses isolated on the north of the Tees. At the rear is the saltmarsh wastes leading to the chemical plant that dominates the area.

This sociologist's paradise is a ferment for all the bitterness and scepticism about the government's plans for Teesside.

The old Etonians have all been rehoused and the terraces like those of Harrow and Oxford are standing empty, 72 houses boarded up, awaiting modernisation and refurbishment. Lovell Urban Renewal, subject to final approval, is to undertake part of the £2.7m joint housing scheme at the Clarences which Stockton Borough Council has already started on a further 240 houses. The Lovell project is expected to start in the spring.

Mr Paul Murray, a 56-year-old process operator and secretary of the Clarences Housing Action Group, was made redundant four years ago after working for 30 years in the steel and chemical industries.

"All the jobs round here were with chemicals or steel before the redundancies. Now more than half the people here are without work and many of those that are working are on some sort of schemes," he said.

If you live in the Clarences you learn to live with the faint smell of ammonia, although some of the more odious smells which used to linger in the neighbourhood have disappeared today. "The smells can still get bad on a night-time when we have a westerly wind," said Mr Murray.

"Our biggest worry at present is the possibility of a toxic waste incinerator down the road near Seal Sands," he said. Ocean Environmental Management has lodged a planning application to develop a site.

The residents have mixed feelings about Teesside Development Corporation. Mr Murray said: "We welcome the development corporation's interest but we wish we could find out exactly what is happening. There seems to be a lot of unnecessary secrecy and rumour about many of the developments. People are starting to ask 'where are they?'".

The 1,200 people who have chosen to stay on the estate form the entire residential population of the 19 square miles under development corporation control.

Many people in this close-knit community have lived there all their lives. Mr Murray said: "I know people on this estate who have never been out of Middlesbrough. Some families go back two or three generations living in the same few streets."

In an area where social problems have risen to the top of the political agenda, the Clarences has more than its fair share, according to Mr Murray, who said the estate suffered from a feeling of isolation.

At the wrong side of the river, shopping expeditions involve crossing the transporter bridge — 53p a time on the moving cradle suspended on cables. The bridge was constructed to allow large ships access from the upper reaches of the river when Teesside had a shipbuilding industry.

Residents are being encouraged to involve themselves in self-help schemes and a skills training group has been established at a former pub with £5,000 grant from the TDC. A further £150,000 grant has been given for environmental improvement work on the estate.

The salt wastes at the rear will not go away after the housing improvement work but they will be included as part of a proposed nature reserve, a feature which should help with house advertisements — some of the houses are being refurbished for the private market. In future for "Overlooks marshes and chemical works" read "Open aspect to rear with spectacular views of 5,000-acre international wildlife reserve".

Richard Donkin

'Ducks versus docks' conflict has been resolved

A return to nature

STANDING among the sea pink and the glasswort on Cowpen Marsh you may look up and see a kestrel or, if you're lucky, perhaps a marsh harrier. If you gaze along the winding path of Greatham Creek you may spot a flock of dunlin and maybe a basking seal enjoying the tranquility of a shoreline ringed with tubular steel chemical plant, oil storage tanks and pipelines.

Dr Peter Evans has been walking these estuary wastes for more than 35 years. It was the wildlife potential of the Tees estuary that attracted him as a graduate entry to ICI where he worked as a long-range planner.

He is now the director of the first branch of the newly-formed Industry and Conservation Association (Inca), formed to encourage green partnerships between conservationists and industry. His relationship with ICI helped to foster the idea of the new initiative under the umbrella of the Nature Conservancy Council. Six other large companies are supporting the venture in Middlesbrough.

The brine fields, part of the largely fenced-off marshes of some 5,000 acres surrounding a stretch of mud-flats called Seal Sands, has created a sanctuary for wildlife which has needed no grant aid or inward investment to exploit the industrial inertia that has beset the area in the past 10 years or so.

The estuary attracts 1 per cent of Western Europe's grey plovers, 3 per cent of Europe's sanderling, 1 per cent of its redshank and 2 per cent of its shelduck. It is a feeding place for occasional exotic rarities such as the long toed stints, spoon bills and avocets, and it has a small seal colony. It is recognised as a key ecological area surrounding an internationally important stretch of mud-flats for wading birds.

Inclusion of the area within the sphere of the Teesside Development Corporation — it forms more than a third of the land under its control — means that there are plans for a nature reserve of great potential.

The reserve plan (still awaiting final approval) has been drawn up by David Bellamy Associates. The agency is one of a number set up to take advantage of a European Community directive which insists on environmental impact assessments for all large scale developments with an effect on the surrounding countryside.

DBA was established by Dr Bellamy with Dr Brendan Quayle, a colleague at Durham University, using offices at a small business park adjoining the university. Both maintain close links with the university, and some of the staff and students are used as consultants to supplement the work of 10 full-time staff.

The TDC initiative, using proposals from the agency, has succeeded in breaking 20 years of deadlock between the Tees and Hartlepool Port Authority, which owns or looks after much of the shore land, and the Nature Conservancy Council, lining up with other wildlife and conservations groups.

The impasse, known in the local press as the "ducks versus docks row", has been between the conservationists who want the area recognised and protected for its importance as a feeding and overwintering area for wildfowl and wading birds, and the port authority which wants more developments to service the refineries and chemical plant in the area.

The Nature Conservancy Council, armed with its powers to notify Sites of Special Scientific Interest, had declared Seal Sands and the North Gare Sands at the mouth of the River Tees as SSSIs.

The port authority, acting as agent for the Crown Estates which owns most of Seal Sands, held a powerful negotiating lever, being the statutory planning authority for land within its bounds. Any proposals, particularly in SSSI areas, would have involved messy and costly public inquiries, with the risk of refusal by the environment secretary.

The authority also had the negotiating muscle of an outstanding permission for an oil terminal which would have encroached onto the Seal Sands site. In return for giving up this claim the authority has been given NCC blessing, in principal, to develop 20 acres of the North Gare Sands SSSI as a deep water jetty.

In addition it has been given the green light for development on a parcel of land to the south of *Seal Sands*, part of which is subject to a planning application from Ocean Environmental for a toxic waste incinerator.

The other large land owner on the proposed nature reserve is ICI. The company came to the area in 1926 partly because of locally-based coal and anhydride and partly because of the extensive brine deposits at *Tees Mouth*. The brine, necessary in a number of chemical processes, has been systematically pumped out leaving underground cavities which can be used for the storage of gas.

In return for providing land for the nature reserve in an, as yet, unfinalised part of the negotiations, ICI hopes to be allowed to develop another 100 acres for brine extraction. This has been acceptable on the nature reserve to environmentalists since there is little surface evidence of the pumping works.

The nature reserve project is expected to cost about £8m although it is not yet clear who will provide the funding.

The plans involve the construction of a visitors' centre, tree planting, footpaths, the excavation of pools and the construction of small windmills to circulate water as part of a complex hydrological system.

In addition, the TDC has given a £50,000 grant to fund a a seal centre to look after the colony on Seal Sands.

Richard Donkin

Suited to expansion

Continued from page 3

company £2,000 to train a machinist, he expects the Hartlepool factory to add a new dimension to a growing company. In 1967 it was making 350 suits a week. Now it makes 10 times that number.

The Hartlepool operation is starting with the trouser line and the manufacturing of suit linings, while jackets continue to be made at the headquarters which is to be retained in Reading. As more workers are trained, the new factory should eventually employ between 150 and 175 workers.

There has been talk of a second factory if enough local labour can be recruited though, Mr Rael-Brook says he intends to "play it by ear".

Frame, which is joining another nine textile companies in the Teesside area, has entered into a training commitment with the Government-run Employment Training Scheme. The company was anxious to avoid being accused of poaching by its new neighbours.

First, however, it had to train the trainers. They are now installed instructing new machinists in line with Frame's policy, to increase flexibility, of ensuring that staff are proficient in four different skills: "We went into training programmes like a Japanese firm operating in Japan."

The company, which just beat the deadline for a Regional Development Grant should benefit from a £1.2m government aid package tied to job creation.

Mr Rael-Brook advised companies considering such a move to be aware of the work involved. He said: "You must consider everything from floor tiles to the boiler."

The reward, he said, was a labour market imbued with the work *ethic*. He said: "They are incredibly friendly people who are good workers as long as you treat them right." The reward for Teessiders is new jobs.

Richard Donkin

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 21 1989

INSIDE

Tension rises in Gold Fields battle

The battle for Consolidated Gold Fields grows ever more tense. Minorco, which is linked to South Africa's Anglo American group, has extended its offer for the British mining house until April 8, after receiving a miniscule number of acceptances. Meanwhile, Mr Gavin Relly, Anglo's chairman, is anxious to get facts straight about his group's role Page 27

Stopping short of the altar

As soon as Deutsche Bank announced last December that it was entering the life insurance business, some form of tie-up between Allianz, Europe's biggest insurance company, and Dresdner Bank, West Germany's second biggest bank, became a foregone conclusion. For those determined to bring Allianz and Dresdner to the altar, however, this month's exclusive marketing deal is something of a disappointment. Haig Simonian explains why. Page 28

Going against the grain

Governments have been interfering with agricultural markets ever since Joseph persuaded the Pharaoh to store grain from the years of plenty against the lean years that were to come. Now the US and the Cairns Group of southern hemisphere exporters are calling for free market forces to be allowed to determine prices and, therefore, production levels. It is a policy European Community politicians are not ready to embrace. Page 36

Windy City's tug of war

Co-operation has never been the futures industry's strong suit. The logic of linked exchanges across an increasingly international market place may seem evident, but politics have repeatedly got in the way of successful link ups. Now the world's two largest exchanges, the Chicago Mercantile Exchange and the Chicago Board of Trade, are locked in an undignified and bruising battle over two electronic after-hours trading systems, reports Katharine Campbell. Page 29

Bayer profits jump 23%

Bayer, the West German chemicals group, saw pre-tax profits jump 23 per cent last year. The company said results in the last quarter had been particularly encouraging and prospects for the current year looked very promising. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Euroland Wrt	7.8	+	.4
Continental	289	+	4.9	Synthetic	680	+	15.4
Mannesmann	222	+	7	Falls			
Feldmuehle	394.8	+	7.5	Banc OS	16.8	-	2.7
Nix	253	+	6.5	Tokio Leasing	980	+	65
VW	338	+	7	Epeda	1142	-	40
Daimler	230.7	-	4.8				

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Celanese	72¾	+	4¾	[illegible]	1200	+	190
Paramount	130	+	13	[illegible]	2100	+	300
Falls				Amada	1220	+	140
Black & Decker	21	-	2¼	Nakamichi	1150	+	120
IBM	109⅝	-	3	Falls			
Texas Air	11⅞	-	1¼	[illegible]	850	-	169
PARIS (FFr)				Hitachi Chem.	2440	-	300
Rises							
[illegible]	675	+	90				

New York prices at 12.30.

LONDON (Pence)							
Rises				Euro Home Prods	254	+	8
[illegible]	45½	+	4½	[illegible]	381	+	10½
[illegible]	352	+	7	[illegible]	336	-	11
Rush & Tompkins	460	+	5	[illegible]	626	-	11
Scot. & Rob.	418	+	4	P & O Dfd.	666	-	19
Falls				[illegible]	370	-	10
Beco	827	-	7	[illegible]	646	-	16
Bassett Foods	545	-	10	[illegible]	280	-	9
[illegible]	164	-	6	[illegible]	352	-	13
[illegible]	431	-	9	WPP	714	-	21
Cadbury-Schweppes		-	8	[illegible]	267	-	8
Cons Gold Fields	1447	-	5				

Black and Decker offer for Emhart

By Roderick Oram in New York

BLACK and Decker, the power tools and small appliance group, is to expand its product line greatly with a $2.5bn, $40 a share, agreed takeover offer for Emhart, a diversified manufacturer of plumbing, hardware and other do-it-yourself products, garden and lawn equipment, and industrial components.

Black and Decker's offer surpasses a $35-a-share bid made a month ago by Topper, an investment partnership owned 40 per cent by Mr Gordon Getty, an heir to the Getty oil fortune, and 60 per cent by the wealthy Fisher family of New York.

Topper, which has a near 8 per cent stake in Emhart, had no immediate response to the news. Wall Street, which had expected a fight and a higher offer for Emhart, marked its shares down $¼ to $40⅝. Black and Decker, which will borrow $2.8bn from banks all the money to complete the takeover, fell $1⅜ to $21⅞.

It emerged at the weekend that Topper was under investigation by the Federal Trade Commission for possible violation of federal anti-trust laws. Topper failed to file notification of its investment in Emhart after its stake exceeded the trigger point for filing.

Emhart had hired Wasserstein Perella and Shearson Lehman Hutton to study the Topper offer. Yesterday Wasserstein declared Black and Decker's offer fair to Emhart's shareholders.

Under the merger terms, Mr Peter Scott, Emhart's chairman and chief executive, will become Black and Decker's chairman. Mr Nolan Archibald will remain Black & Decker's president and chief executive.

Black and Decker has revived considerably in recent years under Mr Archibald's "cut and build" programme. Operations were streamlined and the company's product range expanded by building on its brand name. The company acquired, for example, General Electric's small kitchen appliance business including its toasters and irons. It was thwarted recently, though, in its efforts to buy the Oster/Sunbeam kitchen appliance business.

Emhart has also been active on the takeover trail, buying Stanadyne, a manufacturer of precision metal parts. Emhart, based in Hartford, Connecticut, boosted its net profits last year to $125m.

MB-Carnaud merger delayed by Elders

By Maggie Urry in London

ELDERS Investments has succeeded with a last-minute legal intervention in delaying the merger between Metalbox Packaging, the packaging subsidiary of MB Group of the UK, and Carnaud, the French company.

The move by the subsidiary of Elders IXL, Mr John Elliott's group follows its unsuccessful attempt earlier this year to block the MB-Carnaud deal and to propose a consortium bid for Metalbox Packaging.

The merger to form the largest packaging group in Europe, to be called CMB Packaging, was due to take effect on April 1.

But Elders Investments, a 5.7 per cent shareholder in MB Group and with 25.1 per cent of MB's warrants, which give it the right to buy another 1.2 per cent of MB's shares, yesterday successfully asked the High Court to adjourn its consideration of the scheme of arrangement by which the merger was being effected.

As a result the High Court hearing has been adjourned until the new legal term starts, and is expected around April 4.

Elders Investments said last night it would submit an affidavit to the High Court explaining why it objected to the scheme. Mr Andrew Cummins, chief executive, said last night the scheme "deprives Elders Investments of its legal rights in respect of its holding of warrants.

"We shall continue to resist the implementation of the Carnaud scheme unless and until an acceptable solution is found."

The merger could still go through next month if the High Court approves the scheme of arrangement next month.

The deal has been approved by shareholders in both MB and Carnaud despite a fierce campaign against it by Elders Investments.

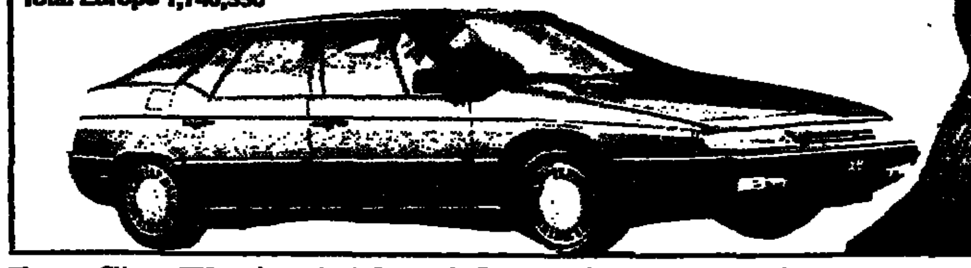
MB shares fell 4p to close at 259p last night.

Lex, Page 24

Europe's top-of-the-range car production

Manufacturer	Sales volume	European market	Manufacturer	Sales volume	European market
France			Italy		
Citroen	32,000	1.8%	Fiat	68,100	3.9%
Peugeot	46,300	2.7%	Lancia	52,050	3.0%
Renault	117,100	6.7%	Alfa Romeo	14,000	0.8%
W.Germany			Sweden		
Audi	103,100	5.9%	Volvo	151,300	8.7%
Opel	180,600	10.4%	Saab	68,700	3.9%
Ford	91,100	5.2%	Other European		
BMW	294,300	16.9%	Rover	30,900	1.9%
Mercedes-Benz	424,200	24.4%	Jaguar	15,400	0.9%
Porsche	16,500	1.0%	Japanese	20,400	1.2%
			Others	14,500	0.7%

Total Europe 1,740,550



The new Citroen XM: an important element in Jacques Calvet's group expansion strategy

Charge of the heavy brigade

Today's launch of Citroen's new XM represents the first thrust in a two-pronged Peugeot attack on Europe's luxury car market. **Kevin Done** reports.

The wraps come off a new top-of-the-range Citroen today and as the champagne corks pop so will begin the first leg of an extraordinary assault by the Peugeot/Citroen car group on the West European executive car market.

The result of a five-year development programme and investment totalling around FFr7.5bn ($1.2bn), the Citroen XM is a crucial element in the French group's attempt to wrest leadership of the West European car market away from West Germany's Volkswagen and Italy's Fiat by the early 1990s.

The launch of the XM – it goes on sale in France in May and will reach other European markets progressively during the year – is to be followed in the autumn by the unveiling of Peugeot's new executive car, provisionally called the 605.

The almost simultaneous launch of two new executive cars is a powerful demonstration of the group's new financial muscle and of the rapid progress it is making towards the goal of creating rationalised four-model ranges for each of the Peugeot and Citroen marques, with both competing in all segments of the European market.

The group's accumulated losses for five successive years from 1980 to 1984, following acquisitions in the 1970s which it failed to rationalise. Successively Peugeot took over Citroen and then, in 1978, Chrysler's European operations. But an unattractive model range, unsuccessful attempts at rationalisation and little standardisation of components plunged it deep into deficit.

Under the leadership of Mr Jacques Calvet, the ex-banker and former Finance Ministry mandarin who was brought in by the Peugeot family in 1982, the group has staged a dramatic recovery.

This fight back has been buoyed by continuing overall record demand in West European new car markets since 1985.

The French group has transformed losses of more than FFr8bn accumulated from 1980 to 1984 into a net profit of FFr6.7bn in 1987. Net earnings for 1988, due to be announced next month, have risen again despite a much higher tax charge.

All the European volume car makers are currently enjoying bumper profits and sales, but Peugeot/Citroen is out-gunning its rivals.

It ousted Ford from third place in the West European car sales league in 1987 and last year began to close the gap on VW and Fiat. Peugeot's fortunes have been boosted by a series of successful new model launches during the mid and late 1980s, most importantly the Peugeot 205 and 405 and the Citroen BX and AX, which have allowed the company to annex a growing share of the European supermini and upper-medium segments of the European car market.

Now it is seeking to achieve the same success in the lucrative executive car market with a two-pronged attack.

According to Mr Calvet, the group is aiming to secure some 13.7 to 13.8 per cent of the European market this year. "My target is for continuous growth until we reach first place in Europe in 1992/93.

The group has been transformed by the sweeping restructuring programme master-minded by Mr Calvet. The former Chrysler operations in France, the UK and Spain have finally been fully integrated into the production system, and productivity, which has been rising by 8 to 9 per cent a year in each of the last five years, again rose by 9 per cent in 1988.

The workforce has been reduced substantially while production has been expanding. Widespread cost-cutting measures allied with improving profitability have reduced debt charges and have allowed the balance sheet to be strengthened, although the debt burden remains a potential Achilles heel.

"We are among the most cost-effective car producers in Europe along with Fiat and Ford, with rather more capital intensity at Fiat and rather less for us," says Mr Calvet. "We are very well-placed in the efficiency of our production." One of the keys to the group's success in the second half of the 1980s has been its ability to rationalise its design and engineering operations and components sourcing without – hitherto – compromising the individual identities of the separate Peugeot and Citroen marques.

Almost without exception the sales and marketing operations are kept entirely separate throughout Europe and overseas. The new Citroen XM and Peugeot 605 executive cars now take the process a stage further.

According to Mr Xavier Karcher, Citroen vice chairman and chief operating officer, "The only chance of Peugeot being able to grow and become the biggest in Europe is to continue with two marques competing

Underneath the skin the company is seeking to use the highest possible number of common components, most importantly engines and transmissions.

In terms of styling the XM continues in the idiosyncratic, futuristic Citroen mould, and as a five-door hatchback with a radical use of glass it is dramatically different in appearance to the more classically designed Peugeot 605 saloon that will be unveiled in September.

With the XM, Citroen is also following its own suspension philosophy and is introducing for the first time on a production car what it claims to be a revolutionary "hydractive" suspension. This combines electronics and traditional Citroen hydraulic suspension under computer control.

What Peugeot/Citroen is hoping is that in car showrooms across Europe car buyers will perceive the XM and 605 as differently as they do the Citroen BX and Peugeot 405, which also share for example similar floorpans (chassis platform), as well as engines, transmissions, instrumentation and electrical components.

Citroen had a sales volume in the European executive car sector of only 32,000 in 1987, but at its new production facilities at Rennes it is planning to produce 52,000 XMs this year – 30 per cent for export – rising to an output of 98,000 in 1990, of which 51 per cent will be exported. Output should reach 450 cars a day by the end of 1989.

Toyota in cash bid for Hyster

By Nick Garnett, in London

TOYOTA of Japan has made a substantial cash offer for Hyster, North America's largest manufacturer of fork lift trucks.

Hyster's parent, the Esco Corporation, put the business up for sale last year with an asking price believed to be between $700m and $800m.

Mr Bill Frasier, president and chief executive officer of the Oregon-based lift truck producer said yesterday that a number of other offers had been made for the company.

These were being evaluated by Morgan Stanley, the US merchant bank but talks with potential bidders had not yet been completed, Mr Frasier added.

The lift truck industry believes Toyota is the front runner.

The purchase of Hyster by Toyota would represent a further striking development in the consolidation of the lift truck industry. Hyster is the world's fourth largest producer with sales last year of $770m and profits believed to be about $60m.

Toyota is Japan's biggest producer and is ranked three in the world. If it acquired Hyster, the industry would then have three dominant producers, all with similar annual revenues.

These would be Linde of West Germany which has just purchased the bulk of Lansing, the UK lift truck maker, Balkancar of Bulgaria which mainly sells in the eastern bloc, and Toyota.

Hyster, which has plants in Irvine, Scotland and Craigavon, Northern Ireland was a company owned by the Swigert family before it went public in the 1950's. In 1984 it was purchased in a leveraged buy-out by Esco, a Swigert-controlled company which already owned 30 per cent of the fork lift maker.

Esco now owns 70 per cent of Hyster, with 20 per cent controlled by banks and the remainder by Hyster management.

Toyota said in October that it was investing $37m in a fork lift production facility near Columbus, Indiana. This followed similar moves by two other fork lift makers, Komatsu and Nissan, both of which are believed to have shown interest in buying Hyster.

Sales of Japanese lift trucks, which have more than half the North American market for standard machines have been the subject of US anti-dumping moves started by Hyster.

Hyster also complained late last year that Japanese companies were dumping components in the US to evade duties imposed on pre-assembled fork lifts.

P&O profits rise to £317m

By Kevin Brown in London

PENINSULAR and Oriental Steam Navigation, the UK construction, shipping, property and services group, yesterday announced pre-tax profits of £316.6m ($544m) for last year, an increase of 15 per cent on 1987.

Profits were up 24 per cent, at £350m, before profit sharing of £8.5m and an exceptional item of £25m to cover the cost of a lengthy dispute with seamen employed by P & O European Ferries in Dover.

The improvement was almost exactly in line with City forecasts. However, P&O surprised the market by announcing the acquisition for £82.5m of Spring Grove Services, an industrial services company, from Henlys Holdings.

P&O's £1 deferred shares closed down 19p at 666p last night. Analysts said the share price was influenced by the terms for the acquisition of Spring Grove, which involves the issue of 11.9m new deferred shares at 650p.

Sir Jeffrey Sterling, P&O chairman, said the record profits reflected a strong advance in most of the group's market sectors.

At the operating level, housebuilding, construction and development profits improved from £109m to £157m; service industries from £70m to £89; container and bulk shipping from £52m to £54m; and passenger shipping from £41m to £50m.

Investment property income for the 12 months declined from £55m to £49m, reflecting property sales in the first half.

The Bovis construction subsidiaries benefited from the acquisition of the remaining 50 per cent of Lehrer McGovern Bovis. Sir Jeffrey said Bovis Homes produced an "excellent" result in spite of a slow down in housebuilding demand towards the end of the year, caused by high interest rates.

The service sector showed steady growth, helped by strong demand for container transport through the port of Felixstowe and an improvement in P&O's Australian business after several difficult years. The improvement in passenger shipping was largely due to the performance of the cruise fleet.

The Sitmar fleet, acquired last year, has been combined with the Princess fleet, and is well placed to take advantage of strong demand in Europe and the US.

The board announced a final dividend of 15p, making a total of 25.5p for the year, an increase of 16 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

Government allows BNP and UAP to join forces

By George Graham in Paris

THE French Government last night approved an alliance between Banque Nationale de Paris, the largest state-owned bank, and Union des Assurances de Paris, the leading state insurance group.

Mr Pierre Bérégovoy, the finance minister, agreed to the two groups working together on insurance products, distribution of credit and management of savings. The deal was cemented by crossed shareholdings, expected to be between 5 and 10 per cent.

The creation of a joint holding company, which had been suggested by BNP and UAP, was ruled out by the minister, who has expressed some reservations in recent weeks over the idea of grouping banking and insurance activities. The idea has been enthusiastically espoused by the managements of the two institutions.

The shareholdings will be crossed through capital increases carried out by BNP and UAP, subscribed by the state which will then transfer the holdings.

This will require a change in the 1973 law governing state insurance companies, which tightly restricts their shareholders. Although UAP's shares are listed on the stock exchange, they are a relic of shares originally issued to employees, and may not be freely traded.

BNP's paper is more widely held, but in the form of non-voting certificates of investment.

The two groups are expected to announce more details of their alliance on Thursday.

Cap Gemini advances 44%

By George Graham

CAP GEMINI Sogeti, the French computer services group, has announced net profits for 1988 of FFr402m ($63.4m), an improvement on the FFr395m provisional figure announced two months ago and 44 per cent higher than in 1987. Sales rose 39 per cent.

Sweden's Stora lifts sales 47%

By Sara Webb in Stockholm

STORA of Sweden, Europe's biggest pulp and paper producer, saw profits after financial items surge 47 per cent to SKr3.71bn ($578.5m) in 1988, while sales jumped 67 per cent to SKr34.26bn.

Like the other large Swedish forestry groups, Stora has profited from the increase in pulp prices and strong demand for newsprint.

Profits and sales were boosted further by the acquisition of Swedish Match, the world's leading match producer, a year ago. The board said the dividend would be raised from SKr8 to SKr10 per share.

Stora forecast a further profit increase of at least 13 per cent to SKr4.2bn for 1989. Mr Bo Berggren, chief executive, said he expects demand for pulp to remain strong this year, and Stora hopes to increase its pulp production capacity in Portugal to meet that demand.

Profits from the group's pulp business increased by 66 per cent to SKr1.44bn last year entirely due to higher pulp prices. The group sells about 75 per cent of the pulp it produces.

Swedish Match (the consumer products group with interests in doors, flooring, kitchens, packaging and pulp chemicals), for which Stora made a SKr5.9bn bid last March, reported a 61 per cent increase in profit (after financial items) to SKr1.01bn last year, while sales rose by 9 per cent to SKr17.25bn.

Stora has acquired 87.6 per cent of the equity and expects to win control of the outstanding shares this spring. While the old Swedish Match has been dismantled, the brand name is now used for consumer products. This doubled its profits to SKr305m, following the restructuring of the matches and lighters business.

Mr Berggren said the acquisition had given Stora a more international spread, and added business areas which are less capital intensive and less susceptible to swings in profits.

Stora's newsprint operations showed a 32 per cent jump in profits to SKr763m . However, Mr Berggren said demand for newsprint is expected to tail off in the 1990s as new plants start up.

The group's fine-paper operations reported lower profits. They were hit by investments in new plants and high pulp prices, but are expected to show a strong recovery in 1989.

Stora is seeking stock exchange listings in London and Frankfurt this autumn in order to tap the international capital markets.

Miss World closer to takeover of radio station

By Ian Hamilton Fazey, Northern UK Correspondent

THE MISS World entertainments group of the UK won a slim victory yesterday in a shareholder vote which greatly increased its chances of taking over Manchester's Piccadilly Radio next week.

Miss World, of which Mr Owen Oyston, the flamboyant Lancashire businessman, is chief executive, managed to defeat Piccadilly's attempt to merge with Midlands Radio by a majority of only 0.66 per cent at the meeting in Manchester's St James's Club.

In total, 50.33 per cent of the poll went against the merger after objections to exclude some votes as spoilt papers had been overruled by Mr Derek Boothman, Piccadilly's chairman.

Miss World, which owns the Preston-based Red Rose Radio group, wants to create a radio equivalent of Granada TV, which operates in the north-west of England. However, Mr Oyston's group has another hurdle to clear.

Shareholders have yet to vote to amend Piccadilly's constitution so that a single shareholder can own more than 15 per cent of the voting shares – a vital stage before Mr Oyston can succeed in his £39m ($67m) bid for control.

Foreign sales help Bayer to rise 23%

By Haig Simonian in Frankfurt

GROUP pre-tax profits at Bayer, the West German chemicals concern, jumped 23 per cent to a record DM3.8bn ($2bn) last year on group sales 9 per cent up at DM40.5bn.

Results in the last quarter of 1988 were particularly encouraging, with profits and sales up 24.4 per cent and 15 per cent respectively. As a result, Bayer's prospects for the current year look very promising, even with capacity use running "at a very high level," it said.

Continuing high demand, good economic growth and high capacity use pointed to "a good result" in 1989, according to the company. Bayer's shares fell DM2.70 to DM293.50 yesterday.

Foreign business played a particularly important role in last year's performance, with sales by Bayer's foreign operations up 13 per cent, against a rise in domestic turnover of 4.1 per cent.

Geographically, sales in Europe, by far the most important region, rose 5.3 per cent to DM27.2bn, while US sales rose 9.4 per cent in D-Mark terms. Sales in Asia climbed by over 25 per cent thanks partly to Bayer's Japanese pharmaceuticals subsidiary.

Foreign business was responsible for the "excellent" performance of Bayer's health products division. Profits also improved in the problem agricultural products area.

However, earnings in the polymer business fell on account of losses in fibres, while difficulties at Compugraphic, Bayer's printing technology offshoot, depressed earnings at its Agfa-Gevaert subsidiary.

The group continued to invest strongly to meet last year's demand. Group investment rose 22.6 per cent to DM3.1bn, about half of which went directly into expanding capacity. Research spending rose by 5 per cent to DM2.5bn.

● Linde, the West German engineering group, is planning a one-for-five rights issue at DM500 a share to raise about DM495m ($264m) to fund its expected expansion.

Big leap forward for 'Allfinanz'

A marketing pact between Dresdner Bank and Allianz is bringing many of their financial services under one roof writes Haig Simonian in Frankfurt

FOR most observers of the German financial scene, this month's exclusive marketing deal between Allianz, Europe's biggest insurance company, and Dresdner Bank, Germany's second biggest bank, was a foregone conclusion as soon as Deutsche Bank, Germany's biggest bank, announced it was entering the life assurance business.

Deutsche Bank's move, announced in December, would force Allianz, which is known to look askance on any bank intruding into its business, to react. Likewise, Dresdner Bank would have to take an initiative, if only to show it was not being once again upstaged by its bigger rival.

Some even went so far as to moot a formal equity link between the two, which could in time have been the prelude to an even closer bond.

For those determined to bring Allianz and Dresdner to the altar, the news was a disappointment. Although exclusive, the agreement covers only five of Germany's 11 states. Dresdner Bank in particular made clear that it wants to be free to negotiate with other insurers elsewhere.

Despite the reservations, the deal marks the most important step in the development of "Allfinanz" – financial services under one roof – since Deutsche Bank's initiative. The pact has highlighted the commitment of two more of Germany's biggest financial institutions to a concept which first started in earnest when the Aachener und Münchener (A&M) insurance group bought a controlling stake in Bank für Gemeinwirtschaft (BfG) in 1987.

Since then Allfinanz has gathered pace. Not only have Berliner Bank and the Gothaer insurance group, two smaller institutions, got together to cross-sell, A&M has also been back. In November, it bought a 25 per cent stake in Volksfürsorge, one of Germany's biggest life assurers, along with management control.

The Allianz-Dresdner deal, which came into effect on March 1 but is not likely to have practical consequences for some weeks, commits each side to marketing a wide range of the others' products through its own sales networks in the states of Baden-Württemberg, Hesse, Rheinland-Pfalz, Saar and North Rhine Westphalia.

That covers three of Germany's five most populous states and includes some 600 Dresdner Bank branches along with 3,800 of Allianz's 7,000 main agencies and about 18,000 of its 37,000 independent agents.

The bank will start by selling life assurance written by Allianz's majority-owned subsidiary, Allianz Leben. Property and casualty will follow, with health insurance possibly coming later. Allianz for its part will market a range of Dresdner Bank products, with home and consumer finance loans taking pride of place.

A plethora of detailed points remains to be settled, including how precisely to divide the spoils, both between the two companies themselves and between them and their salesmen. Allianz has said its agents will receive a commission on any bank products they peddle, but Dresdner Bank has yet to state whether a similar arrangement will apply on its side for insurance products.

The sums generated could be considerable. Mr Eberhard Martini, the chief executive of Bayerische Hypotheken-und Wechsel-Bank (Hypobank), the bank with which Allianz has had a similar co-operative agreement in Bavaria since the end of 1986, said earlier this month the figure for his bank could reach "two digit millions" this year.

But for those trying to foresee the future of Allfinanz in Germany, it is the gaps in the Allianz-Dresdner pact which are as interesting as what it contains.

The fact that certain points remain open and much training is still required for staff at both companies probably explains why the agreement has been restricted to five years at the outset. However, none of those concerned expects it to be broken thereafter.

More important, the deal excludes any products already offered by one partner in competition with the other. Allianz will not sell Dresdner Bank's fixed income funds or certain forms of home loans, which it already markets independently or through associates.

But the main hesitation has come the bank's side. Co-operation in Bavaria was out from the start in view of Allianz's existing arrangement with Hypobank, in which it owns a roughly 23 per cent stake, and the region's co-operative banks.

Dresdner Bank stipulated that the agreement also exclude northern Germany, where it now hopes to co-operate with other insurers. The bank has generally been seen as the weaker half of any link with Allianz, and its management has probably been anxious to avoid associating too closely with the giant insurer in order to leave its hands free to work with others too.

Immediate business interests could also have influenced that policy. Dresdner Bank has been seen as the main beneficiary of Deutsche Bank's decision to proceed independently in life assurance, despite the massed hostility of the insurance industry.

It may already be picking up additional business being diverted away from Deutsche Bank – particularly on the securities side – by angry insurers. Thus Dresdner Bank is probably anxious not to compromise its standing by identifying too closely with Allianz.

The recent Allianz Leben rights issue has given the first sign of the new alignments emerging. Both Deutsche Bank and its Berlin subsidiary have vanished from the list of banks participating in the Dresdner Bank-led deal.

Mr Manfred Ayasse, an Allianz Leben official, says too much should not be read into the new structure. However, in the past, Deutsche Bank and Dresdner Bank alternated the lead management, and it is hard to avoid the impression that Deutsche Bank has been permanently dropped. Meanwhile, Mr Martini has confirmed this week that his bank's share in the consortium had gone up as a result.

Personnel changes have also taken place. Mr Alfred Herrhausen, Deutsche Bank's chief executive, has resigned from Allianz Leben's supervisory board. Mr Wilfried Guth, a former chief executive of the bank and now chairman of its supervisory board, remains the deputy supervisory board chairman of the Allianz group's parent company, although it is not clear how long that may last.

Further realignments are probably in store.

Mr Ernst Wunderlich, the chief executive of Allianz Versicherungs AG, the group's domestic non-life subsidiary, has denied that concrete negotiations are taking place. But Vereins-und Westbank, the Hamburg-based bank in which Bayerische Vereinsbank (BV) has around a quarter of the shares, has been tipped as the most likely candidate.

Mr Eberhard-Rainer Luckey, Vereins-und Westbank's chief executive, has admitted that it is looking "intensively" at the question of Allfinanz, although he declined to single out any potential partners.

The Allianz-Dresdner deal may have put the focus on Commerzbank, Germany's third biggest bank, to show its hand. It has already followed Deutsche Bank into one area of Allfinanz by negotiating to buy a 40 per cent stake in Leonberger Sparkasse, a leading home finance operation.

Other banks are going the same way, with Dresdner Bank planning to set up an operation from scratch, and Hypobank recently doubling its stake in Heimstatt to 75 per cent.

But in insurance Commerzbank has so far eschewed both the independent approach initiated by Deutsche Bank and Dresdner Bank's collaborative path. Rather, it works with about 25 insurance companies on a non-exclusive basis.

Earlier this month, Mr Walter Seipp, its chief executive, indicated matters could change. He said he would not exclude the possibility of Commerzbank acquiring "a majority or minority stake in an insurance company" when "the time is ripe."

INTERNATIONAL COMPANIES AND FINANCE

Jardine Matheson profits rise 42%

By John Elliott in Hong Kong

JARDINE MATHESON, the Hong Kong conglomerate known as the colony's "Princely Hong," yesterday announced net profits up 42 per cent last year to HK$1.11bn (US$142m).

The results were in line with expectations: currently most Hong Kong companies are producing record profits. Turnover was up 16 per cent to HK$14.8bn and a final dividend of 48 cents makes 65 cents a share for the year against 47.5 cents in 1987. Net earnings per share rose 39 per cent to HK$2.04.

Mr Simon Keswick, chairman, said that 1988 could be seen as the "year in which Jardine Matheson finally put behind it all the problems of the early 1980s and demonstrated its ability to perform not just by way of recovery but as a growth company."

Jardine Matheson's trading and services operations were grouped into a new management company in January, Jardine Pacific, with annual sales of around HK$10bn. Mr Keswick said that these activities, including Zung Fu, Hong Kong's Mercedes car distributor, and shipping and aviation services, had produced "excellent operating profits."

Yesterday's profit announcement follows strong results last week from Dairy Farm International, Hongkong Land and Mandarin Oriental. Jardine Matheson has big stakes in these companies through its 55 per cent stake in Jardine Strategic Holdings, a holding company created two years ago during a corporate restructure.

All these companies have moved their legal bases to Bermuda because of a fear that when China resumes sovereignty of Hong Kong in 1997 it might introduce laws that restrict the companies' international operations.

● Jardine Fleming, a Hong Kong-based merchant banking joint venture with Robert Fleming of the UK in which Jardine Matheson has a 50 per cent stake, announced profits after tax of HK$363m for last year. This was down from HK$381m in 1987 when the company had a record 82 per cent growth in profits.

Mr Alan Smith, managing director, said that 1988 had been a good year "despite generally quieter business in most of its markets."

Anglo sees Gold Fields as a passport to foreign riches

William Hall on how important it is to the South African company that Minorco's bid succeeds

MR GAVIN RELLY, chairman of Anglo American, is anxious to get a few facts straight about the South African group's increasingly bitter battle in the UK for Consolidated Gold Fields – even though some may find these hard to swallow.

The bid is not an elaborate wheeze to help Anglo and De Beers pull part of their money out of South Africa, he says. "Even if it were possible, it would be an extremely stupid error of business judgment to move out of South Africa just when things are starting to improve."

Indeed, Mr Relly is convinced that South Africa will one day become the "darling of the investment world again."

Nevertheless, if Minorco's $5.4bn bid for Gold Fields goes through, the stock market capitalisation of Minorco, Anglo's main non-South African vehicle, would come close to topping Anglo's own market capital of $4.7bn.

Then there is the little matter of whether he or Minorco's Sir Michael Edwardes is calling the shots in the Gold Fields battle.

"Keeping a dog and doing the barking oneself does not work," says Mr Relly, who thinks Sir Michael is doing a pretty good job of barking.

"The approach is to find teams which become operative in the areas in which they are concerned. Our only involvement is as an interested shareholder."

He goes on: "Sir Ernest Oppenheimer founded Anglo as a South African company and did not commit the error of trying to run it from London as all the other mining companies were run. That is the cardinal reason why Anglo has been so successful, and it is absolutely true in reverse."

Mr Relly, who was in London last week for Minorco's latest council of war, admits that the company's international strategy has not been a success, saying: "It is very difficult to run things from 44 Main Street in Johannesburg when they are 6,000 miles away."

The lateness of the conversion, however, makes many wonder if Anglo is now really prepared to delegate more autonomy to its far-flung units. It is not the way Gold Fields says Anglo works.

Anglo is one of those lumbering industrial dinosaurs, which would not survive for long in the free-market economies of the US or the UK. A predator would either have broken it up, or the authorities would have stepped in long ago and dismantled its monopoly positions to improve competition.

While there is no chance of either happening, Anglo still faces some very real pressures, not least how to develop an international business in an increasingly hostile world.

It began with the huge advantage of being based in one of the world's richest mining areas, which enabled it to grow into the world's biggest player in the gold, platinum and diamond industries.

A few years ago Anglo American would have towered over the likes of RTZ and BHP, but it is now slipping behind.

Anglo's international record is littered with false starts and abrupt changes of strategy – the recent boardroom putsch at Charter Consolidated in the UK being only the latest example. At first this did not matter, but as South Africa has become a high-cost gold producer, Anglo's efforts to establish an effective international operation have taken on a fresh urgency.

It has never been able to match its domestic success internationally, however, which explains why it is so important that its Minorco offshoot wins Consolidated Gold Fields. Its South African roots have meant it is virtually impossible for the company to participate in many of the new, low-cost mines being developed in the US, Australia and elsewhere. Even where the political climate allows it to participate, South African exchange controls have curtailed its flexibility.

So if it is to remain one of the world's leading mining groups, Anglo needs an effective offshore vehicle. Not surprisingly, the London stock market has concluded that Gold Fields is the only realistic target. "It is important to Anglo American's long-term health," says Mr Michael Coulson, mining analyst at Kitcat and Aitken.

Although Anglo's stake in Minorco will drop below 50 per cent, the presence on the Minorco board of Mr Relly and his two heirs apparent – Mr Julian Ogilvie Thompson and Mr Nicky Oppenheimer – underlines the importance of the venture.

Given Anglo's undoubted ability to control many companies in which it is not the majority shareholder, it would be highly surprising if Sir Michael had been given a completely free hand to gamble with Minorco's dowry.

The 63-year-old Mr Relly is only the third chairman in the history of Anglo, and time is running out for him to put his personal stamp on South Africa's biggest company.

South Africa's political and economic problems, a weak gold price and the fact that the group is still regarded by many as the Oppenheimer family business make it difficult to assess his contribution.

Mr Relly believes that his major achievement has been to develop a working relationship with South Africa's emerging trade unions, despite the violent 1987 strike in which 29 miners died.

Anglo's earnings have grown at a compound annual rate of 20 per cent over the last decade, but the weakness of the South African currency has meant that it has been a poor investment for foreign shareholders. Overseas interests now hold only 11 per cent of the stock.

Kitcat's Mr Coulson, says that "to survive in the gold game you have to be far more profitable." He believes Anglo has ducked taking a strategic decision to maximise profits, even though this could lead to a drastic shrinkage in size of its gold mining business.

It is perhaps Anglo's financial philosophy that provides the clearest sign that its *empire is not much different* than it was 20 years ago.

While Mr Relly makes the ritual noises about the questionable features of bigness, Anglo is not going to follow Minorco's example and dispose of its low-yielding assets in areas such as gold and steel.

"These are our building blocks and we have absolutely no desire to get rid of them," he says. It sounds much the same as Gold Fields' main defence.

MINORCO OFFER WINS ONLY 0.2%

MINORCO, the Luxembourg investment company controlled by Anglo American and De Beers, had received acceptances for only 0.2 per cent of shares in Consolidated Gold Fields when its £3.2bn ($5.5bn) takeover bid for the UK-based mining group reached the first closing date on Saturday, writes Clay Harris in London.

Minorco extended the offer until April 8. It already owns 29.5 per cent of Gold Fields, or 30.2 per cent assuming full conversion of all bonds and the exercise of options.

Mr Rudolph Agnew, Gold Fields chairman, derided the "pathetic level of acceptances" and said: "I am sure they will come back with a higher offer. When they do, we will be ready and waiting."

In the London market, Gold Fields shares added 5p to £14.57 while a 33p fall in Minorco's share price to 754p reduced the value of its cash-and-shares terms to £14.02.

Perlis registers strong growth

By Wong Sulong in Kuala Lumpur

PERLIS PLANTATIONS, the *diversified Malaysian group* controlled by Mr Robert Kuok, showed pre-tax profits of 169.5m ringgit (US$61.5m) for the 15 months to December *compared with 69m ringgit for* the previous 12 months.

It said its main subsidiaries benefited from the improved Malaysian economy. On turnover of 1.59bn ringgit against 415m ringgit, profit after tax and minority interests was 102m ringgit against 48.8m ringgit.

Perlis is paying a final dividend of 8 cents on its enlarged capital of 183.9m shares, making an unchanged payout of 22 cents per share.

INTERNATIONAL COMPANIES AND FINANCE

Metana slides after acquisition

By Kenneth Gooding, Mining Correspondent, in Mount Magnet, near Perth

METANA MINERALS, the Australian resources group half owned by European shareholders, yesterday reported a net consolidated loss of A$68.6m (US$56.2m) for the six months to December after abnormal and extraordinary losses totalling A$73.8m.

In the same period of 1987 there was an A$14.3m net profit.

Some A$39.7m of the extraordinary charges related to the acquisition loss on a 41 per cent holding in Eastmet, a gold company where Metana now has management control. Metana is writing off all goodwill on that purchase, made before the 1987 stock market crash. It paid the equivalent of A$2 a share for Eastmet against a current price of about 30 cents.

Mr Peter Ingram, joint managing director of Metana, admitted: "We paid too much for Eastmet," which had failed to find new gold reserves. However, Eastmet had a positive cash flow and "I still believe it will prove to be a sound investment over the longer term," Mr Ingram said.

Metana has also changed its accounting policy and in future will write off against profit all exploration expenditure. This change resulted in a A$28.3m abnormal loss. There was also an extraordinary loss of A$5.8m associated with the sale to Orca Petroleum of Metana Energy.

Mr Ingram said any negative market reaction to the balance sheet clean-up should be short-lived. The Metana share price has been about A$4.50 compared with a pre-crash high of A$18 and a placing last August at A$6.80.

He suggested his board continued to have the confidence of institutional investors including the UK's M&G Group, which holds about 5 per cent.

Revenue rose from A$26.3m to A$43.1m. The operating loss was A$22.6m against a profit of A$14.3m.

For its last financial year Metana paid a 25 cents a share final dividend. There seems no chance of a dividend this year.

Mr Ingram said Metana this financial year would produce about 117,000 troy ounces of gold and Eastmet 42,000 oz. Next year gold output is budgeted to rise to 160,000 oz plus 40,000 oz from Eastmet. All the gold had been sold forward at about A$580 an ounce this year and A$620 in 1990 compared with cash production costs of A$306 an ounce this year and A$310 next year.

BNL full-year earnings surge 42% to L209bn

By Alan Friedman in Milan

BANCA Nazionale del Lavoro (BNL), Italy's biggest state-owned bank, last night reported a 42.2 per cent increase in its net profit for 1988, to L209bn ($152m).

The Rome-based bank said it closed last year with L110,094bn of total assets, a rise of 3.9 per cent.

BNL, which is 74 per cent owned by the Italian Treasury, is seeking up to L2,000bn of fresh capital in order to expand and restructure its business.

A key meeting to be held in Rome today could provide some of BNL's minority shareholders with the necessary funds to subscribe part of a capital increase.

The meeting, called by Mr Giuliano Amato, Treasury Minister, will centre on plans by San Paolo di Torino, another leading Italian bank, to acquire 40 per cent of Crediop, a medium-term corporate finance and investment banking concern.

If the San Paolo-Crediop deal gets the green light it could see the Turin-based San Paolo buying Crediop stock from two institutional shareholders that also control BNL stock, thus providing them with cash for a future BNL rights offer.

● CIR, the Milan-based holding vehicle of Mr Carlo De Benedetti that controls key stakes in Olivetti, Mondadori and other European companies, yesterday unveiled a 37 per cent rise in its 1988 net profits, to L140bn. The consolidated net profit, including cash earned from the disposal of the Buitoni-Perugina foods group, totalled L380bn.

CIR said it had increased its Olivetti stake from 19.7 per cent to 21.7 per cent. The company also has key stakes in Mondadori, the publisher (33.3 per cent); Valeo, the French car components business (37.4 per cent); and Yves Saint Laurent (49.9 per cent).

CIR said its holdings at the end of 1988 had a total book value of L3,200bn and market value of L4,800bn.

The quoted holding company is to pay a L130 dividend per ordinary share, L150 per convertible savings share and L170 per non-convertible savings share.

Norway intervenes to rescue two ailing banks

By Karen Fossli in Oslo

NORWAY'S Banking, Securities, Exchange and Insurance Commission (Kredittilsynet) and the Savings Bank Guarantee Fund have intervened to provide two insolvent medium-sized savings banks with NKr110m ($16.2m) in guarantees until authorities decide their future.

The banks, Sparebanken Romsdal and Spareskillingsbanken, have sought to merge with healthy savings banks but in both cases discussions have foundered either on authorities' disapproval of the merger choice or board disapproval.

Both banks have suffered heavy losses on loans and guarantees, mostly to the fishing industry.

Last November the central bank and the fund assembled a NKr800m rescue package for Sparebanken Nord and Tromsoe Sparebanken, two other savings banks, which control some 75 per cent of the banking sector in northern Norway.

The Savings Bank Association forecasts that the savings banks will experience between 10 and 15 mergers each year until 1995. This will result in a total of about 100 savings banks against the current figure of about 160.

● Skandia, the leading Swedish insurer, has been granted a concession by Norway's Minister of Finance to acquire a 95 per cent stake in Vesta, Norway's second largest insurance company. The move completes the last leg of Skandia's strategy to create a Nordic insurance group ahead of the creation of the EC internal market in 1992.

Skandia, which has already purchased stakes in Finnish and Danish insurance companies, is expected to take the remaining 5 per cent in Vesta. Skandia paid NKr800m to acquire Vesta and is to inject NKr500m in fresh capital.

The Swedish insurer, however, will not acquire Hygea or NKP, two life assurance subsidiaries of Vesta. They have been purchased by Norwegian interests headed by Bergen Bank, one of Norway's top three banks, which has taken a majority 10 per cent stake in each company.

KKR may be trying to sell Del Monte

KOHLBERG Kravis Roberts is said to have assigned Goldman, Sachs & Co to seek bids for RJR Nabisco's Del Monte fruits and vegetables unit, AP-DJ reports.

Del Monte could fetch upward of $3bn, which would be used to reduce outstanding debt from the record $25bn RJR buy-out that closed in early February.

Officials at KKR and Goldman, both based in New York, declined to comment, as did those at Del Monte, based in Coral Gables, Florida.

KKR executives had previously said they planned to sell $6bn in RJR food assets, but they did not state which of the assets would be put up for sale.

Investment banking sources indicate that the effort to market Del Monte would not be a mere testing of the waters, but a genuine effort to sell the unit either as a whole or in parts.

Selling Del Monte would resolve one of three anti-trust issues raised by the US Federal Trade Commission when it approved the buy-out by KKR, which also owns Beatrice.

Mr Emmanuel Goldman, a beverage and tobacco analyst at PaineWebber, said US companies such as Quaker Oats and Ralston Purina might be interested in Del Monte.

However, the most likely buyers are companies in Japan, France, West Germany and Britain, which can afford to pay more based on the weak dollar.

Del Monte, whose products include tropical fruit, canned pineapple and deciduous fruits, is the world leader in fresh pineapples, with roughly 43 per cent of the market.

It holds nearly half of the North American tropical fruit business and employs 42,000 people worldwide.

Coleman agrees to bid by private Perelman group

By Anatole Kaletsky in New York

COLEMAN COMPANY, the leading US manufacturer and marketer of camping equipment, yesterday agreed to be acquired for $545m by MacAndrews & Forbes, the private financial holding company controlled by Mr Ronald Perelman, the Wall Street takeover specialist and the chairman of Revlon.

The Perelman bid, which was worth $74 a share in cash, came in response to an earlier proposal for a leveraged buy-out of Coleman by Mr Sheldon Coleman, the company's chairman.

Mr Coleman offered in February to pay $64 a share in cash and securities to take his company private.

Although the company was essentially controlled by members of the Coleman family and management, the initial LBO offer was widely seen as only the opening salvo in a bidding process.

Coleman's shares jumped to $71 immediately after the LBO proposal was announced on February 15. A special committee of independent directors was formed to invite other proposals and evaluate the company's options.

Coleman announced yesterday that the proposal from Mr Perelman's group had been unanimously approved by the special committee as the best on offer under the auction process.

The offer was then unanimously approved by the company's board, including Mr Sheldon Coleman.

For Mr Perelman, the Coleman acquisition is the latest step in a strategy of extensive diversification which has taken him far beyond the cosmetics and personal care business.

In the past Mr Perelman has been involved in lengthy takeover battles for Gillette, as well as being a rumoured bidder for companies such as Kimberly-Clark and Warner-Lambert.

But MacAndrews & Forbes bought and sold several large investments in a wide range of other industries, including Technicolor, the big film processing group, and a strategic stake in Salomon Brothers, the Wall Street investment bank.

Mr Perelman's latest big acquisition was a group of insolvent Texas thrift institutions, which he bought from the Federal Home Loan Bank Board for $1bn just before the end of 1988.

French water utility plans to boost capital

COMPAGNIE Générale des Eaux, the French water utility and communications company, announced a large capital boost that will raise FFr3bn ($474m) in the near term and an additional FFr3.9bn if all the attached share purchase warrants are exercised, AP-DJ reports.

The group showed an attributable net profit of between FFr1.37bn and FFr 1.375bn last year, 30 per cent higher than the previous year's FFr1.05bn.

It said it planned to use the funds to help finance its aggressive investment programme, which has totalled more than FFr20bn in the past three years.

Officials did not reveal any specific plans for using the funds, but analysts in Paris believe Générale des Eaux and its main French rival, Lyonnaise des Eaux, are both interested in buying water authorities that the British Government plans to privatise.

Details of the Générale des Eaux operation will cover more than FFr2m new shares at a price of FFr1,400 each.

Lyonnaise des Eaux also unveiled plans for an issue of bonds with share warrants last week that could raise slightly more than FFr2.7bn francs, assuming full exercise.

The company has forecast that its consolidated net profit should rise by about 15 per cent a year until 1992, by which time half the group's profit will be earned abroad, Mr Jerome Monod, chairman, said.

The group posted provisional 1988 attributable net profit of FFr550m, up 25 per cent on the previous year.

Nestlé and Rowntree link

By Lisa Wood

NESTLE, the Swiss food group, is to merge its UK confectionery business with that of Rowntree, the York-based confectioner which it acquired last year.

Mr Peter Blackburn, chairman of Rowntree Mackintosh Confectionery, said: "It is logical from a business and branded point of view to run the confectionery interests of both companies as one business in York. The Rowntree and Nestlé ranges are very complementary and both had a record year in 1988."

Nestlé confectionery products, including Milky Bar and Dairy Crunch, will continue to be produced at the Hayes factory in Middlesex.

The Rowntree Sun-Pat grocery business will be run by Nestlé UK from its HQ at Croydon.

INTERNATIONAL CAPITAL MARKETS

Eurobonds freeze in wake of US inflation indicator

By Andrew Freeman

EUROMARKETS were in a state of shock yesterday after Friday's US inflation indicator. The fall-out across world stock and bond markets put an almost total dampener on new Eurobond issuance, with only a single Japanese equity warrant deal emerging.

Secondary trading was limited to anomaly switching.

Daiwa Europe was the lead manager of the $300m European tranche of an equity warrant deal for Nippon Shinpan, while Nomura Singapore brought a $150m Asian tranche. The four-year bonds carried an indicated coupon of 4⅝ per cent. Final terms will be set on March 29.

The 395-point overnight fall on the Tokyo equity market, with the Nikkei stock index giving up more than 1 per cent of its value, was the worst possible background for the launch of the deal, which immediately traded below its par issue price. Tokyo is closed today for the spring holiday, so activity is expected to remain muted.

The lead manager was quoting the bonds at less 1 bid, well inside underwriting fees of 2¼ per cent. Independent brokers were quoting a lower price of 98½ bid.

The deal's performance served to highlight how well equity warrant deals have done so far this year, with many issues trading at sharp premiums to their launch price.

"On what has been a bad day, these bonds are still within fees," said one trader.

The lack of trading volume meant that syndicate managers had plenty of time to discuss

INTERNATIONAL BONDS

wider market conditions. The market practices committee of the International Primary Market Association (Ipma) is due to meet today, with new issue syndication procedures top of the agenda following a series of controversial deals this year.

Many houses have privately expressed hopes that the committee will recommend fundamental reforms to the Ipma board, which meets in April. In particular, current allotment and stabilisation practices are widely viewed as unsatisfactory and are blamed for damaging further the image and dubious profitability of the Euromarkets.

In Germany yesterday, bond markets were quiet in marginal trading ahead of today's US economic figures and news from the Bundesbank of this week's repurchase agreement. Prices of seasoned supranational issues fell by around ½ point from Friday's stock exchange fixings. Newer issues which have yet to be fully placed dropped by around ¾ point.

For example, the Republic of Austria and Crédit Foncier 6⅞ per cent 10-year deals were trading in the grey market at around the same level of 98.55 bid, compared with Friday's 99.10 bid.

The recent Soviet deal fell by ¾ point to less 3¼ bid, yielding about 7.57 per cent. At this level it met some demand from both institutional and retail investors switching out of older paper from less well-known borrowers.

The European Investment Bank's 6⅝ per cent deal which matures in 1996 was trading at less 2⅛ bid, after touching less 2¼ bid. On Friday it was quoted around less 1.85 bid.

In Switzerland, secondary market activity was very slow, with prices giving up around ¼ point as short-term interest rates came under further pressure.

Last week's SFr100m issue for BP America was trading at less 1⅞ bid according to J.P. Morgan, the lead manager. The deal was said by traders to have had a good reception from investors, in spite of the poor market conditions. The World Bank SFr125m 5⅛ per cent issue eased around ¼ point to less 1⅝ bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nippon Shinpan Co.‡	300	(4⅝)	100	1993	2¼/1½	Daiwa Europe
Nippon Shinpan Co.‡	150	(4⅝)	100	1993	2¼/1½	Nomura Singapore
SWISS FRANCS						
Final terms fixed on:						
Nomura Secs. Co.(a)§◆	250	½	100	1994	n/a	UBS
Nomura Secs. Co.(a)§★★◆	250	½	100	1994	n/a	Nomura Bank(Switzerland)

★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Put option fixed 31/3/92 at 104½ to yield 1.85%. Coupon fixed as indicated.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92¼	92¾	−0¼	−0⅜	10.61
B.F.C.E. 7 92	150	†91¼	91¾	−0⅜	−0⅜	10.40
B.F.C.E. 9¼ 95	150	95¼	95⅝	−0⅞	−1	10.22
Brit. Tel. Fin. 9¾ 98	250	95¼	95⅝	−1⅛	−1⅛	10.11
Canada 9 96	1000	95½	96	−0⅛	−0⅜	9.87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 91	50	97⅞	98¼	0	−0¼	5.25
Canada 6½ 91	80	101⅝	102	0	−0¼	5.07
Canada 5⅞ 93	80	101⅝	101⅞	0	−0¼	5.16
E.I.B. 4⅞ 93	30	98⅜	98¾	—	—	5.27
Ireland 5¼ 93	30	99⅝	99⅞	−0¼	−0¼	5.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Further sections: OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS — [illegible]

† No information available—previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust Int.; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse First Boston; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co (Europe); Nomura International; Samuel Montagu & Co; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday March 20, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.0239	30.9431	44.0621
Albania	(Lek)	10.0665	5.8851	3.1384	4.4690
Algeria	(Dinar)	11.7915	6.8935	3.6762	5.2348
Andorra	(Fr Fr)	10.8575	6.3475	3.3850	4.8201
	(Sp Peseta)	199.70	116.7494	62.2603	88.6570
Angola	(Kwanza)	52.1160	30.4682	16.2481	23.1369
Antigua	(E Carr $)	4.6265	2.7047	1.4424	2.0539
Argentina	(Austral)	71.3050	41.6866	22.2307	31.6559
Aruba	(Florin)	3.0672	1.7931	0.9562	1.3616
Australia	(Aus $)	2.0753	1.2132	0.6470	0.9213
Austria	(Schilling)	22.585	13.2037	7.0413	10.0266
Azores	(Port Escudo)	263.60	154.1069	82.1823	117.0255
Greenland	(Danish Krone)	12.5075	7.3121	3.8994	5.5527
Grenada	(E Carr $)	4.6265	2.7047	1.4424	2.0539
Guadaloupe	(Local Fr)	10.8575	6.3475	3.3850	4.8201
Guam	(US $)	1.7105	1	0.5332	0.7593
Guatemala	(Quetzal)	4.7157	2.7569	1.4702	2.0935
Guinea	(Fr)	514.05	300.5261	160.2650	228.2130
Guinea-Bissau	(Peso)	1113.775	651.1400	347.2408	494.4617
Guyana	(Guyanese $)	15.4100	9.0090	4.8043	6.8412
Haiti	(Gourde)	8.5675	5.0087	2.6710	3.8035
Honduras	(Lempira)	3.4234	2.0014	1.0673	1.5198
Peru	(Intl)	2074.58a	1212.8500	646.7903	921.0122
Philippines	(Peso)	36.50	21.3387	11.3795	16.2042
Pitcairn Is	(£ Sterling)	1.00	0.5846	0.3117	0.4439
	(NZ $)	2.7810	1.6258	0.8670	1.2346
Poland	(Zloty)	979.06	572.3823	305.2408	434.6548
Portugal	(Escudo)	263.60	154.1069	82.1823	117.0255
Puerto Rico	(US $)	1.7105	1	0.5332	0.7593
Qatar	(Riyal)	6.2355	3.6454	1.9440	2.7682
Reunion Is. de la	(F/Fr)	10.8575	6.3475	3.3850	4.8201
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiji Is	(Fiji $)	2.4680	1.4428	0.7694	1.0956
Finland	(Markka)	7.2688	4.2495	2.2661	3.2269
France	(Fr)	10.8575	6.3475	3.3850	4.8201
Fr. Cty/Africa	(CFA Fr)	542.88	317.3808	169.2533	241.0122
Fr. Guiana	(Local Fr)	10.8575	6.3475	3.3850	4.8201
Fr. Pacific Is	(CFP Fr)	193.00	112.8325	60.1714	85.6825
Gabon	(CFA Fr)	542.88	317.3808	169.2533	241.0122
Gambia	(Dalasi)	11.1378	6.5114	3.4724	4.9446
Germany East	(Ostmark)	3.2075	1.8751	1	1.4239
Germany West	(D-Mark)	3.2075	1.8751	1	1.4239
Ghana	(Cedi)	448.8846	262.4288	139.9484	199.2828
Gibraltar	(Gib £)	1.00	0.5846	0.3117	0.4439
Greece	(Drachma)	269.50	157.5562	84.0218	119.6448
New Zealand	(NZ $)	2.7810	1.6258	0.8670	1.2346
Nicaragua	(Cordoba)	7873.82	4603.2271	2454.8152	3495.5915
Niger Rep	(CFA Fr)	542.88	317.3808	169.2533	241.0122
Nigeria	(Naira)	12.5942	7.3628	3.9264	5.5912
Norway	(Nor. Krone)	11.6475	6.8094	3.6313	5.1709
Oman	(Rial Omani)	0.6595	0.3855	0.2056	0.2927
Pakistan	(Pak. Rupee)	33.70	19.7018	10.5066	14.9611
Panama	(Balboa)	1.7105	1	0.5332	0.7593
Papua New Guinea	(Kina)	1.4395	0.8414	0.4487	0.6389
Paraguay	(Guarani)	684.68o	400.2806	213.4621	303.9644
		1716.83a	1003.7006	535.2548	762.1886
Western Samoa	(Tala)	3.7535	2.1943	1.1702	1.6663
Yemen	(Rial)	16.70	9.7632	5.2065	7.4139
Yemen PDR	(Dinar)	0.5877	0.3435	0.1832	0.2609
Yugoslavia	(Dinar)	13658.80	7985.2674	4258.3943	6063.8401
Zaire Rep	(Zaire)	540.25	315.8433	168.4333	239.8446
Zambia	(Kwacha)	17.20	10.0555	5.3624	7.6359
Zimbabwe	($)	3.4200	1.9994	1.0662	1.5183

Special Drawing Rights March 17 1989 United Kingdom £0.758724 United States $1.30364 Germany West D Mark 2.43598 Japan Yen171 038. European Currency Unit Rates March 20 1989 United Kingdom £0.648004 United States $1.11068 Germany West D Mark 2.08286 Japan Yen146.498

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday March 20, 1989. * Venezuela, 13 March 1989 New Single Tier System introduced.

INTERNATIONAL CAPITAL MARKETS

Technology wars ravage Chicago

Katharine Campbell on the futures industry's new trading systems

Co-operation has never been the futures industry's strong suit. The logic of linked exchanges across an increasingly international market-place may seem obvious but politics has, in practice, repeatedly blocked the path of successful linkages.

At the moment the world's two largest exchanges, the Chicago Mercantile Exchange and the Chicago Board of Trade, are locked in an undignified and bruising battle over electronic after-hours trading systems, as if assured dominance of the international arena will be the prize for the winner.

Most of the market's big end-users, institutional clients who care little for exchange politics, would prefer a single system giving them rapid access to as many markets as possible, while pit traders view the encroachment of technology with obvious horror.

At last week's annual Futures Industry Association conference in Florida, the CME and the CBOT confronted delegates with their rival systems, Globex and Aurora respectively.

Thinly veiled insults flew as Mr Leo Melamed, industry guru and now chairman of Globex, modestly referred to his "world system" as "three dimensional, while everything else is but on a single plane."

In the opposite corner, Mr Karsten Mahlmann, chairman of the more tradition-bound CBOT, who until recently was the staunchest opponent of electronic trading, vaunted Aurora as "1989 rather than 1981 technology."

Meanwhile, Telerate and Reuters are locked in their own combat. Reuters has achieved an exclusive deal in its joint venture with the CME in Globex. Telerate has aligned itself with the CBOT and is making a virtue of the flexibility of its plan to put its network at the service of the CBOT and other exchanges for fielding customer orders from around the world.

As a result the leading American exchanges, propelled by their declining international share of futures trading and battling to defend the efficiency and fairness of the physical pits, present a conundrum to their competitors, who are almost forced to align with one or the other.

The CME, for example, proudly paraded the three additions to its Globex family in Florida this year; the French Matif, the Sydney Futures Exchange and the New York Mercantile Exchange have signed letters of intent to list some of their products on the system. Liffe is currently being wooed by both Globex and the CBOT but is playing its cards close to its chest.

Its own electronic Advanced Pit Trading system, which is similar to but conceived long before Aurora, will only operate in European hours. So the exchange's four international government bond contracts would be a fine prize for Globex, particularly as that would mean the CME had a US Treasury bond contract trading electronically during Chicago hours.

The US Treasury bond is the most heavily traded futures product in America and the very backbone of the CBOT.

The success of either Globex or Aurora is anything but assured. Both will be phased in from the fourth quarter of this year even though Aurora is at an earlier stage of development. The systems are also quite different.

No one knows how or indeed even if the liquidity of the open-outcry system can be replicated on computer. While the CBOT clings to the characteristics of the auction market as closely as possible, Globex is essentially one huge electronic order book which automatically matches orders at the best price as they come in.

Karsten Mahlmann: formerly opposed electronic trading

Proponents of the auction replication principle argue it can cope better with busy pits. Mr Gilbert Durieux, president of the Matif, agrees that the response time of Globex is "its weakest point" but adds the system is planned for after-hours trading (as is the CBOT's and Liffe's) and hence should bear a lighter load.

Meanwhile, those who have seen Aurora are questioning the fairness of the system. The floor broker chooses which trader, represented as an image on the screen, he hits the bid or lifts the offer from – rather too close a replication of the way the pits work today. Liffe's APT system, incidentally, does not allow the trader to choose his counter-party.

In addition, to make the CBOT function properly worldwide would apparently cost an enormous amount. And Mr Michael Jenkins, chief executive of Liffe, sounded sceptical about response times over distance: "You have got to have equal access for everyone, equal not in terms of seconds but milliseconds. Whilst we are constrained by the speed of light, you can't do that."

Over coming months exchanges will be faced with the choice of which, if either, of the Chicago systems to opt for.

As for Globex, Mr Melamed believes there are only "four or five other exchanges that are worthwhile to pursue."

One is the Osaka Securities Exchange which trades the future on the Nikkei 225 stock index. Although the CME has regulatory approval to trade its own Nikkei, its says it will not do so if Osaka agrees to become a Globex partner.

Co-operation arrangements are quite different for each exchange. The CBOT, with its system geared much more to its own vast floor community, has so far only talked of licensing the Aurora software.

But the Globex package is much more ambitious, if pretty contentious too, which is why the three partner exchanges have yet to sign a formal agreement.

They are still hammering out break clauses. The rules on computing products – that partner exchanges may not trade anything that will compete with existing Globex contracts – are also causing concern, both to those who propose to join and to those who do not, most obviously the CBOT. Globex is also expensive – a member may pay as much as $7.50 per contract in fees to the exchanges.

The regulatory framework is another minefield. In particular, French and British officials are known to be concerned as to whether the US authorities will try to extend their grip to foreigners trading US products on Globex.

However, amid the highly political charge of these technology wars, it is all too easy to forget that technological superiority is itself remarkably transient.

Unilever Australia in A$100m Euro-CP programme

UNILEVER Australia has mandated the first Australian dollar Euro-commercial paper programme in London, with drawings expected to total about A$100m, writes Norma Cohen.

Unilever said that while virtually all of the A$3bn Euro-commercial paper market was arranged in Hong Kong, it decided to base its borrowings in London where the company had a higher profile among investors and where it believed it could achieve better borrowing terms.

Paper will be available in denominations of A$100,000 although investors will have the option of receiving securities in the form of global notes.

Westpac Banking Corporation, as sole dealer, has been mandated to arrange the programme, which will include an option to sell longer maturities of up to 10 years if investor demand emerges.

The programme is guaranteed by Unilever, the Anglo-Dutch concern, and has been rated Aaa/P1 by Moody's Investors Service and AAA/A1+ by Standard & Poor's.

Nippon Life to bolster European bank links

By Stefan Wagstyl in Tokyo

NIPPON LIFE, Japan's largest life assurer, is planning to strengthen commercial links with West Germany's Deutsche Bank and Crédit Lyonnais, the leading French bank.

Mr Gentaro Kawase, president, is in Europe this week for talks with both European groups. Nippon Life said his visit would promote "friendly ties" between the companies.

However, the company denied a Tokyo press report that it planned to buy equity stakes in both Deutsche and Crédit Lyonnais of between 5 and 10 per cent.

According to the report in the Nihon Keizai Shimbun, Japan's leading business newspaper, the stake in Crédit Lyonnais, which is state-owned, could be acquired after a planned flotation.

Nippon Life declined to specify what kind of ties it had in mind. It already sends trainees to Crédit Lyonnais and may be considering a similar arrangement with Deutsche.

Other possible fields for co-operation include investment management, where the two European banks might advise Nippon Life on international portfolio investment.

Analysts said such ties could lead to Nippon Life eventually buying capital stakes in either bank, or both. The group has extensive links with Shearson Lehman Hutton, the Wall Street investment bank in which it bought a 13 per cent stake two years ago.

Nippon Life's main motive in investing overseas has been to extend its expertise. At home legal restrictions which maintain barriers between different kinds of financial companies have prevented Nippon Life from conducting securities business, for example.

The life assurance industry has long been concerned that this barrier has left it, as well as other institutional investors, at the mercy of powerful stockbroking companies.

Nippon Life's assets at the end of the last financial year, in March 1988, were Y18,200bn ($138bn), up 20.5 per cent on the previous year. This accounted for nearly a quarter of the life assurance industry's total.

Treasuries decline ahead of consumer price index

By Anatole Kaletsky in New York and Norma Cohen in London

ANXIETY over the next inflation indicator, the consumer price index, which is due for release this morning kept US bond markets trading nervously within a narrow range yesterday morning.

Sentiment remained overwhelmingly bearish, however, in the aftermath of the shock delivered to the market on Friday, when the producer price index for February showed wholesale inflation running at a monthly rate of 1 per cent for the second month running.

GOVERNMENT BONDS

The benchmark long bond opened about ¼ point down and spent the whole morning struggling ¼ to ⅜ point below its overnight level. At midday the bond was ⅜ point down at 95⅝, a price at which it yielded 9.3 per cent. Losses were somewhat wider in the shorter maturities, with the worst performance concentrated in the three- to 10-year range.

At mid-morning the market was given some support by a signal of unchanged monetary policy from the Federal Reserve Board. The Fed conducted $1.5bn of customer repurchases when Fed funds were trading at 9.87 per cent, a move which analysts interpreted as an endorsement of current short-term interest rate levels, at least for the time being. Indeed, Fed funds remained virtually motionless throughout the morning at 9.87 per cent.

Traders were virtually unanimous, however, in the view that the Fed might raise its funds target to 10 per cent and above if this morning's CPI figures delivered more bad news on inflation.

Opinions diverged on how bad the CPI would have to be to force another Fed tightening. In the currency market, where the dollar was strongly bid throughout the morning, some traders said that any CPI figure above 0.4 per cent would lead the Fed to tighten. Bond analysts were mostly more sanguine, suggesting that a CPI of 0.6 per cent or less might be acceptable to the Fed.

DESPITE the benefit of encouraging domestic data, UK government bond prices closed up to ⅝ lower, unable to withstand the onslaught of pessimism over the US inflation outlook.

News that M0 fell 0.6 per cent provided some small lift to bond prices, particularly since Mr Nigel Lawson, the Chancellor, has identified the narrow monetary aggregate as a key gauge of how tight monetary policy should be.

The markets should have been encouraged by news that UK bank lending, particularly in the mortgage and personal lending sectors, remained sluggish in February. But investors are wary of any optimism on interest rates as long as US inflation appears to be rising.

Turnover in both cash and futures gilts markets was described as "negligible" with dealers awaiting US consumer price data for February, due out today. If the data contradict the very rapid inflation rate seen in the January and February producer price indices, the gilts market could recover some ground.

IN WEST Germany, prices dropped 45 to 70 basis points from the fixing on Friday, with most of the losses stemming from dealers marking prices down rather than outright selling.

The Bundesbank will today announce a tender for its next repurchase agreement and dealers are waiting to see if the auction will be in a fixed- or floating-rate form. Up until now fixed-rate tenders have been viewed as an indication that the Bundesbank will not tighten its monetary policy.

The latest 7 per cent federal bond was fixed to yield 6.94 per cent, up from 6.88 per cent on Friday.

IN JAPAN, government bond yields rose steeply, partly in delayed reaction to US inflation data. But after a brief recovery early in the day, prices resumed their fall as the dollar rose above Y132 and oil prices firmed.

The benchmark No. 111 JGB yielded 5.24 per cent late in the London day after closing in Tokyo on Friday at 5.14 per cent.

Injections of liquidity from the Bank of Japan in the form of two-week bill purchases are seen simply as a smoothing operation insufficient to prevent interest rates from moving erratically ahead of year-end, on March 31. The bank bought Y500bn in two-week bills at 4.78 per cent, below the market rate of 4.87 per cent.

FRENCH government bond prices fell slightly yesterday, adding to losses sustained on Friday of more than 1 point. Trading losses following news of a sharp rise in the US producer price index wiped out virtually all of the 1½ point rise in government bonds sustained in the first four days of last week.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	107-24	-5/32	10.79	10.69	10.43
	8.750	1/98	96-00	-8/32	10.09	9.98	9.78
	9.000	10/08	99-03	-8/32	9.10	9.08	8.89
US TREASURY *	8.875	2/99	96-01	-1/32	9.53	9.35	9.24
	8.875	2/19	95-20	-6/32	9.31	9.15	9.07
JAPAN No 111	4.800	6/98	98.0412	+0.001	5.24	5.24	4.98
No 2	5.700	3/07	105.7315	+0.196	5.09	5.03	4.81
GERMANY	6.375	11/98	95.7500	-0.050	6.98	7.01	6.87
FRANCE BTAN	8.000	1/94	94.9577	-0.143	9.35	9.32	9.30
OAT	8.125	5/99	93.3500	+0.090	9.14	9.14	9.03
CANADA *	10.250	12/98	97.0000	-0.500	10.75	10.54	10.29
NETHERLANDS	6.7500	10/98	97.3250	-0.160	7.13	7.23	7.07
AUSTRALIA	12.000	7/99	90.9881	+0.282	13.63	13.85	14.18

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday March 20 1989

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Mar 17 Index No.	Thu Mar 16 Index No.	Wed Mar 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (94)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (709)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	74	20
Corporations, Dominion and Foreign Bonds	6	13	25
Industrials	209	643	724
Financial and Properties	68	320	278
Oils	15	43	40
Plantations	1	2	9
Mines	52	34	96
Others	43	112	80
Totals	410	1,241	1,272

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Mar 20
- Last Dealings Apr 7
- Last Declarations Jun 29
- For settlement Jul 10

For rate indications see end of London Share Service

Calls in: Gateway, Thorn EMI, Norex, Astra Holdings, Eurocopy, TAN, Botts Mining, Tyndall Holdings and I & J Dewhirst. No puts but a double in Astra Holdings.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Strong construction market buoys Rugby

By Andrew Taylor, Construction Correspondent

RUGBY GROUP, one of only three British cement manufacturers, increased pre-tax profits by 41 per cent to £72.64m in 1988. Last year's figure of £51.43m was struck before an exceptional profit of £7.45m from a pension fund refund.

Turnover rose from £401.94m to £516.51m as construction output in the UK rose for the eighth year in succession. Construction output has risen by a sixth in the last two years.

Rugby, however, is more than just a British cement manufacturer. It also has widespread joinery, steel and glass interests in the US, Australia and on the Continent.

All of its principle businesses, apart from US joinery – heavily dependent on the depressed north east housing market – increased profits last year. US joinery profits fell from just over £6m to £5.16m.

Rugby yesterday announced it was establishing two large cement import terminals at Newport Docks, in south Wales, and at Dagenham on the River Thames. British cement manufacturers, only three years ago, complained to the European Commission about cut-price cement imports coming into Britain from Greece and eastern Europe.

The two terminals which will be established in the next six months will cost about £11m to build and will have an annual capacity of more than 1m tonnes. Mr Andrew Teare, Rugby's managing director, said a large increase in UK construction output meant that the company needed to import cement to meet the demands of customers.

Blue Circle, Britain's biggest cement manufacturer, last year imported about 1m tonnes of cement and clinker, which is ground to make cement. This compared with total British cement sales last year of about 17m tonnes.

UK cement profits increased almost 35 per cent to £29.15m reflecting improved volumes and higher prices. UK joinery profits increased 44 per cent to £22.8m, while steel reinforcement profits rose by more than a third to £4.83m.

Rugby has a £28m contract to supply the steel reinforcements for concrete lining the UK section of the Channel tunnel. Its French toughened glass company, which chipped in first time profits of £1.26m, also supplies glass for the TGV, France's high speed train.

Australian cement and lime profits almost doubled to £7.83m thanks to strong demand from the domestic mineral industry and a big increase in housebuilding.

Earnings per share of 16p compared with 12.7p in 1987. If the exceptional item is excluded, the rise in earnings per share increases to 44 per cent.

A final dividend of 2.9p makes a total of 5.2p (4.25p) for the year.

● **COMMENT**

Rugby is a business which this year looks like continuing to fire on almost every cylinder. Increased demands for cement from a booming UK commercial development market will offset any vulnerability to the housing market. Only a quarter of Rugby's combined UK cement and joinery sales are to the housing market. Most of the recent increase in cement prices should flow through to profit. Overseas, the Australian joinery business is well founded and will contribute to profits for the first time this year and the Continental glass operation should also do well. Only the US looks likely to disappoint again. The jewel in Rugby's crown, however, is its steel reinforcement business which will be a major beneficiary of increases in investment in UK infrastructure – in sewerage and roads – notwithstanding mega projects like the Channel tunnel rail link. Pre-tax profits of £87m puts the group on about 9 times earnings which seems a little mean given the group's prospects.

Building boom boosts Wilson Bowden to £39m

PRE-TAX PROFITS of Wilson Bowden more than doubled to £39m in the 12 months to the end of December as the Midlands and south west of England housebuilder cashed in on last summer's building boom, writes Andrew Taylor.

Turnover rose from £94m to £149.5m. Earnings per share increased from 18.3p to 38.9p.

Housebuilding led the way with profits rising from £15.4m to £35.5m. Commercial property profits rose from £2m to £4.7m.

Mr David Wilson, chairman, said the housing market had lost some of its gloss since house sales peaked last August. Sales were currently running at about 50 to 60 a week compared with about 70 a week at the same stage last year.

Profits margins however were expected to remain strong as the group continued to feel the benefit of last year's big price rises.

Mr Wilson said the company expected to build slightly fewer houses for sale this year.

He said the shortfall would be more than made up by the 200 homes Wilson Bowden expected to build for business expansion schemes and in joint ventures with local authorities and housing associations.

He said commercial property was likely to see another substantial strong increase in profits this year. At the end of last year the group had projects in hand worth £100m, compared with £50m at the end of 1987.

"At least 70 per cent of our projected development turnover for this year is already contracted or in solicitors hands," said Mr Wilson.

A final dividend of 4.72p (2.9p) makes a total of 6.72p (4.2p) for the year.

● **COMMENT**

Comments by estate agents, published yesterday by the Royal Institution of Chartered Surveyors, paints a clear picture of Britain's two housing markets. Most houses north of the River Trent are selling easily and rising in price. In the Midlands and the south the market is more depressed, as Wilson Bowden's chairman confirmed yesterday. Sales however are probably only back to 1987 levels. Housebuilding profits, boosted by higher margins following last year's big price rises, could increase by as much a fifth this year despite a quieter market. Property profits are now coming through strongly and should assist the group smooth over any fluctuations in housing profits should it be needed. It is in just this kind of climate that Wilson Bowden's long landbank should show its worth. A prospective p/e of 6 on pre-tax profits of £45m is about average for the sector and looks cheap.

Lilley maintains recovery and buys housebuilder for £23.8m

By Andrew Taylor

TRANSFORMATION of FJC Lilley, the Glasgow-based construction group which two years ago was facing bankruptcy, has continued with the announcement of a sharp rise in pre-tax profits, the purchase for £23.8m of a Nottingham housebuilder, and a string of commercial property joint ventures and land deals with a combined development value of more than £120m.

Pre-tax profits in the 11 months to December 31 more than trebled to £7.8m from the £2.2m reported for the previous 12 months. Turnover was £204.5m, compared with £249.5m last time. A final dividend of 1p makes 1.5p (nil) for the year.

Only two years ago, Lilley appeared to be heading for the rocks after announcing losses of £50m in 1986-87, mainly because of heavy losses on US tunnelling contracts.

It has recently started a plant hire business in the US to use some of the large tax losses resulting from the debacle. It has also made some headway in settling a large part of the $10m-$20m claims it expects to receive.

The rescue of the company was completed last summer with a £27m share issue which brought in a new management team of Mr Bob Rankin, as chief executive, and Mr Martin Knight, as corporate development director.

Yesterday's announcement by Lilley marked the latest stage in the new management's plans to expand the group's housebuilding and commercial property businesses.

Lilley has agreed to buy Standen Homes, the Nottingham housebuilder and contractor, for £23.8m cash, about 10.2 times Standen's post-tax earnings, according to the purchaser.

About 60 per cent of Standen's forecast pre-tax profit of £3.65m for the year to March 31 1989 is expected to have come from housebuilding.

Mr Rankin said Standen had a four-year land bank at current production rates. It would provide a springboard for Lilley to expand the housing side further into the east Midlands. Standen builds about 250 homes a year, compared with the 300 Lilley put up last year in Scotland and northern England.

The package of property deals announced yesterday by Lilley include the purchase of two residential sites in eastern England.

They include a £40m joint venture with London and Edinburgh Trust to develop 130,000 sq ft of offices at Stoke Poges, Bucks; a £2.5m office scheme at Guildford with Markham Developments; the purchase of a 44.6-acre residential site with a development value of £49.8m near Peterborough and a 40-acre residential site with a sales value of £30m near Hull.

● **COMMENT**

Lilley having had a good run for its money from the recovery story – its shares have trebled during the last 12 months – is now trying to improve the quality of its earnings. The timing of its moves into housebuilding and commercial property may not be the best – commercial property may be reaching its peak while housebuilding is clearly past its best – but Lilley previously has not been in a position to pursue these kind of investments. Profits this year could be around £18m, including £4m from settlement of claims, which puts the Lilley on a propective p/e of just over 7. It is unlikely this rating will improve in the short term.

Another deal moves BM into US and Australia

By Andrew Hill

BM GROUP, the engineering, construction and building supplies company, is to move into the US and Australia with the A$30.5m (£14.7m) cash purchase of a construction and agricultural machinery manufacturer.

The UK company said the purchase of Austoft Group would allow it to expand further overseas through existing sales and service outlets, in particular a network of 200 Austoft dealers in the US.

Yesterday's deal is likely to mark a lull in acquisition activity for BM. It increases the group's gearing to 75 per cent, but BM said this would probably come down to 35 per cent by the June year-end.

Mr Mike Whittles, a BM director, said the company would not rule out further deals, but he added: "There are no more in the pipeline: this is going to give us quite enough to do."

Austoft makes and distributes construction equipment and sugar cane harvesting machinery in Queensland, Australia, and Minnesota in the US.

The product range includes skid steer loaders – tracked or wheeled machines, manufactured in the US under the Mustang name, which can be used for anything from bulldozing to digging postholes – and the Diggeroo and Trencheroo lines of light earthmoving machinery, originally designed for Telecom Australia.

In the year to June 30, 1988, Austoft made A$3.95m before tax and extraordinary items, on turnover of A$45.25m. Net assets at that date were A$22.2m.

The figures did not include a contribution from VFE, which distributes Austoft equipment in Australia and was bought last August. VFE made A$1.56m before tax and extraordinary charges in the same period, and had net assets of A$1.85m.

Last year BM made its first acquisition in continental Europe when it bought a small French manufacturer and distributor of construction equipment. Eventually the group hopes to be able to manufacture particular product lines at any of its plants worldwide, to take advantage of favourable local conditions.

SCI/TECH S.A.

Société Anonyme d'Investissement
Registered Office: 2 boulevard Royal
L-2953 LUXEMBOURG
R.C. Luxembourg B 20058

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Shareholders of SCI/TECH S.A. (the "Company") are hereby convened to attend an Extraordinary General Meeting of Shareholders to be held at 10, rue de Strasbourg, Luxembourg, Grand Duchy of Luxembourg on March 30, 1989 at 9.30 a.m. with the following agenda:

1) Decision to change the investment policies and restrictions applicable to investments of the Company, so as to conform these to the requirements of a UCITS.
2) Amendment of the Articles of Incorporation to change the Company into a Société d'Investissement à Capital Variable (SICAV).
3) Decision to restate the corporate capital by including the share-premium after cancellation of all redeemed shares held by the Company, so that the capital shall be equal to the net assets and represented by shares without par value.
4) Decision to restate the Articles to conform these to the Luxembourg law of March 30, 1988 on collective investment undertakings and to recent changes in the Luxembourg company law.

Such changes will affect all Articles of the present Articles of Incorporation and shall include namely, but not limited to, rules in respect of Eligible States on the stock exchanges and other regulated markets of which investments may be made by an Undertaking for Collective Investment in Transferable Securities ("UCITS").

The full text of the proposed restated Articles of Incorporation, showing the proposed changes, is available for inspection and can be obtained on request (i) at the registered office of the Company from its transfer agent Banque Internationale à Luxembourg, 2 boulevard Royal, L-2953 Luxembourg, [tél. (352) 47911], (ii) at the office of the Permanent Representative of the Company in Switzerland, Lombard Odier & Cie., 11 rue de la Corraterie, CH-1204 Geneva, institutional department [tél. (022) 21 02 11], at the offices of Bank Mees & Hope N.V., Herengracht 548, Amsterdam, Netherlands and at the offices of Lombard Odier Investment Manager Services Limited, Norfolk House, 13 Southampton Place, GB-London WC1A 2AJ, (tel. 01-831 2350).

Decisions on the agenda require at a first general meeting a quorum of one behalf of the Shares outstanding and a majority of two thirds of the Shares present or represented in order to be approved.

The holders of bearer Shares should deposit these at least *FIVE* clear days in advance with
BANQUE INTERNATIONALE A LUXEMBOURG,
2 boulevard Royal, L-2953 Luxembourg.

The Board of Directors

UK COMPANY NEWS

Scholl helps EHP double to £24.28m

By Clay Harris

A FULL-YEAR contribution from the Scholl footcare business helped European Home Products, the distribution and retail group, nearly double its pre-tax profits to £24.28m in 1988. Continental Europe accounted for 84 per cent of EHP's sales.

The entry of Scholl's European operation, for which EHP paid Schering-Plough of the US £100m in August 1987, made personal care products by far the single largest contributor to trading profits, putting in £20m, against £6.3m in 1987.

It also offset the 32 per cent decline in profit to £1.5m (£2.2m) from sewing and knitting, EHP's original core business which is centred on distribution of Singer sewing machines but includes knitting and commercial sewing machines as well.

The third leg of EHP's business, consumer electricals retailing, especially in Italy, Spain and Portugal, accounted for trading profits of £8.1m (£7.9m), an increase which lagged behind the rise in divisional turnover to £174.6m (£135.8m).

The advance in group pre-tax profits from £12.19m was achieved on sales ahead by 60 per cent to £318.48m (£198.73m).

Turnover was nearly evenly split between northern and southern Europe, apart from 1.6 per cent in Australian and Hong Kong. Spain is EHP's largest single market, followed by West Germany and Italy. Retail operations accounted for 41.5 per cent of sales, distribution for the rest.

The pre-tax total included a £2.44m exceptional credit, reflecting the net profit on the sale of a hosiery factory in central London less the costs of restructuring elsewhere in the group. EHP said it expected to show similar exceptional property profits of £1.5m this year and £4m in 1990. In 1988, Property sales also contributed £1.44m at the trading level.

The strength of sterling cost £800,000 in pre-tax profits.

The tax charge of £6.45m (£3.09m) represented a higher effective rate of 25.3 (26.6) per cent, but EHP said it still had carried forward tax losses totalling about £20m available in Spain, Italy, West Germany and the UK.

Fully diluted earnings per share rose by 44 per cent to 26.7p (18.6p). A proposed final dividend of 3.5p (3p) will raise the total to 5p (6p).

● **COMMENT**

Apart from its consumer electricals retailing in southern Europe, EHP will live or die by its exploitation of brands and distribution networks. In part, this involves new products, many of them proposed by local managements: a Singer machine in West Germany sold on its ability to sew denim, for example, or a new line of bath products in Sweden. If the strategy is impeccable, the execution has been in doubt in recent months. This year will be critical in determining whether turn-of-the-year disappointment in Spain was one-off, reflecting in part the distraction of the Galerias Preciados deal, or whether EHP has taken too big a bite. It will take time, moreover, to assess the effects of the credit restrictions in Portugal. Pre-tax profits should reach £23m to £23.5m, excluding any contribution from property disposals. Add at least £3m more from this source, and the fully diluted prospective p/e is between 9.5 and 10. A share for the patient, and there is always the possibility of a bid.

CEI up 19% on strong defence result

By John Ridding

CAMBRIDGE ELECTRONIC Industries, the acquisitive component and instrumentation group, yesterday announced a 19 per cent increase in pre-tax profits from £12.63m to £15m in 1988.

Turnover grew by 18 per cent to £172.83m (£147.04m) and included £15.6m from acquisitions, principally the purchase of two US electronic component businesses in August.

Earnings per share increased by 17 per cent to 22.5p (19.3p) and the board recommended a final dividend of 6.7p (6.1p), for a total of 9.35p (8.5p).

CEI also announced the purchase of RIC, manufacturer of ac capacitors, from Williams Holdings for £6.95m cash. In the year to September 1988, RIC made profits of £696,000 on sales of £6.54m.

Mr John Jackson, CEI chairman, said 1988 had been an important year for the company and that "it marked a significant step in the group's transition from being predominantly based on UK enterprises".

The strongest performer was the defence and instrumentation division which saw sales grow by 27 per cent to £42m and profits increase by 78 per cent to £5.2m.

By contrast, profits in the specialist companies division fell from £4.36m to £3.79m. This was the result of the poor performance of CI Polymers which was now to close.

In the interconnection technology division sales rose by only 2 per cent to £44.62m. Profits, however, rose by 23 per cent to £4.32m, reflecting rationalisation gains.

Profits in the electronics components division rose only to £2.85m from £2.54m reflecting unusually heavy relocation costs at its US Elec-Trol subsidiary.

● **COMMENT**

Last year's results, which were bang in line with expectations, were achieved despite the low turnover gains at the interconnection techology division and the losses sustained by CI Polymer. This year will also see constraints as a result of the downturn of orders and the continuation of weak prices in a number of CEI's markets. Some optimism is afforded, however, by the defence and instrumentation division and in particular the progress made with the IMS chemical agent monitor. In addition, the second half of the year should see a positive contribution from the two recent US acquisitions both in terms of profits and from sales of some of their assets. Analysts estimate that the 11 per cent return on capital these companies saw last year can be increased to over 20 per cent and that sales of assets will bring about £9m. Further acquisitions can be expected as CEI, correctly, attempts to achieve a greater business focus. In this respect yesterday's purchase of RIC is a step in the right direction. Despite the uncertainties resulting from a second year of reorganisation, profits for the year should be about £27.5m, giving a prospective multiple of 10.

Slight fall in profits to £13.25m at Budgens

BUDGENS, formerly Barker & Dobson Group, suffered a slight fall in pre-tax profits in the 53 weeks to the end of December from £13.5m to £13.25m. The result was struck after higher interest charge of £2.15m, against £247,000, after the capitalisation of £712,000 of interest relating to store developments.

Turnover for the period was £288.98m (£277.78m). Earnings per share were lower at 11.7p (12.9p) and a second interim dividend of 2p is being paid bringing the total for the period to 4p (2.5p). The company has changed its year end to the end of April.

The main component in turnover was Budgens Stores with £273.2m (£243.55m). In October it sold its confectionery division. The pre-tax figure was struck after £1.63m (£1.81m) from discontinued activities and included exceptional income of £2.63m from the sale of trademarks, manufacturing rights and certain assets of James Keiller and Son.

Between July and December ten new stores were opened but as most were during October and November they only contributed a rise of about 2 per cent to turnover. The new store opening programme would continue in July. The company recently announced a joint venture with Southend Property for undertaking future developments.

The confectionery activities, Charbonnel et Walker and Thousands Sweet Shops continued to disappoint, said the directors. But necessary action was being taken.

Trading since Christmas at Budgens stores had been maintained at a satisfactory level.

Emerson to acquire 45% stake in BSR International

By Ray Bashford

EMERSON ELECTRIC, the US electricals group, is acquiring a 45 per cent stake in BSR International following a dramatic fall in pre-tax profits for the Hong Kong-based electronics company during the year to December 31.

The large minority holding is being taken in return for the purchase of five businesses from the St Louis-based company which are involved in power conversion, electronics components and instrumentation.

The deal values the Emerson businesses at £86.8m and will be satisfied by the issue of 138.5m BSR shares, valuing the shares at last Friday's final price of 65p. This compares with yesterday's closing level of 61p.

The rule in the City Takeover Code which forces a company to bid when its holding reaches 30 per cent has been waived because BSR is not resident or managed in the UK.

Emerson has signed a "standstill" agreement with BSR which limits the US company's ability to increase its holding beyond 45 per cent during the next three years. There are also limitations on Emerson's power to dispose of BSR shares.

Mr Brian Chistopher, BSR's chief executive officer, denied that the sale of such a large portion of the capital was a rescue operation, forced by the profit slump announced yesterday.

Pre-tax profits fell from £16.4m to £6.3m in the year, although turnover withstood the pressure and reached £206.8m (£209.5m). In the light of expected benefits from the Emerson deal, directors have recommended an unchanged final dividend of 2.35p, lifting the total to 3.05p (3p).

The poor performance was due to difficulties in obtaining prompt delivery of electronic components. This was caused primarily by problems with the computerised materials control system, which caused increased production costs and higher than budgeted stock levels at the close of the year.

This stock imbalance forced BSR to make additional stock provisions of £1.2m. Several changes have been made in senior management as a result of the difficulties and these are expected to "have a positive effect in 1989", directors said.

The tie-up with Emerson has grown out of negotiations which began last November, following talks with several other companies.

Mr Christopher believes that the group, enlarged by the deal with Emerson, will play a more forceful role in the international power conversion market.

The complementary nature of the Emerson businesses being acquired – ACDC Electronics, Powertec/SCI, ENI of Rochester, New York, Beckman ETD and Beckman IPD – are expected to increase manufacturing, marketing, sales and research and development opportunities, directors said.

BSR is attempting to strengthen management through the deal and three Emerson representatives will join the seven-person board. Emerson executives will hold the positions of chief executive and and financial director.

The five businesses returned trading profits of £8.4m during the 12 months to September 30 last year on sales of £118.6m.

The acquisition of businesses will lead to an unspecified dilution in earnings per share in the current year while the combined group's sales are expected to reach £263m.

Shareholders' approval will be required and several key institutional shareholders with over 30 per cent of BSR's shares have given support in addition to directors with 7 per cent of the shares.

Milford profit boosts Seacon to over £1m

By Clay Harris

SEACON HOLDINGS, the shipping and cargo handling group, reported pre-tax profits of £1.39m on turnover of £17.82m in the 12 months to September 30 1988, its first year on the Third Market.

The results included a pre-tax profit of £49,000 from Milford Docks Company, the troubled harbour operator which was the oldest public company in Wales until its rescue in 1987 by Seacon, a former private group which operates Britain's only covered steel terminal on the Isle of Dogs.

In the year to September 1987, before the two companies combined, Seacon made a pre-tax profit of £654,228, a figure just exceeded by Milford's loss of £667,984.

A new ice factory was commissioned at Milford Haven at the end of January, but Mr Ian Hay, deputy chairman, said all further investment in the port was being delayed until the Welsh Office and the European Commission gave firm indications about the availability of grant aid to the fishing industry.

On the Seacon side, the group has taken a majority interest in Vasco Line, a roll-on, roll-off operation between Southampton and Spain and Portugal.

Seacon is appealing to the Transport Secretary against restrictions on its licence to operate a new terminal on the Thames at Northfleet, Kent.

Fully diluted earnings per share in the most recent 12 months were 11p. A final dividend of 1.5p will raise the total to 2.5p.

Norex reports £1m turnround at midterm

By Patrick Butler

Norex, insurance and shipping company, reported pre-tax profits of £701,000 for the half year to December 1988 against a loss of £300,000 last time. Turnover was up from £23m to £29m while earnings per share were 0.01p, against losses of 0.05p.

The company said the Bermuda Star Line cruise ships division produced a major turnround and expected record profits for the full year. Other shipping activities would increasingly become a more significant feature.

Horncastle Executive Travel, the travel agency offshoot, projected sales for this year of £9.5m against £6.4 and £4m in the two preceding years.

Mr John Winters has resigned as managing director to concentrate on merger and acquisition activities.

News Digest

BUSINESS TECH

Profits rise to near £3m

Business Technology Group, the office supplies company formerly known as Pacific Sales Organisation, reported pre-tax profits of £2.71m in 1988.

The outcome compared with profits of £694,842 in the previous period which covered the six months to end-December 1987.

The expanded office automation division contributed pre-tax profits of £2.7m (£384,000) on turnover of £25.66m (£3.65m). Mustersun, the leather goods operation, saw its profits dive to £19,000 (£311,000) on turnover of £3.15m (£2.33m). The business was sold in February.

Earnings per share were 15.44p (6.67p) and a final dividend of 1.75p makes 3p (1p).

TI GROUP

Buys rest of Mecano – Bundy

TI Group, the specialist engineering company, is to pay DM 71.4m (£22.2m) for the 60 per cent share held by Mannesmann, the West German engineering giant, in Mecano-Bundy, the groups' Heidelberg-based small diameter tubing joint venture.

TI acquired its 40 per cent holding in the joint venture, which dates from 1957, through its takeover of US-based Bundy Corporation in April 1988. Mecano-Bundy made pre-tax profits of DM 14.6m on sales of DM 125m in 1988.

The deal is subject to West German regulatory approval.

IRISH DISTILLERS

Sharp profits rise to I£18.5m

Irish Distillers Group, the Irish whiskey maker taken over last November by Pernod Ricard, the French spirits concern, lifted pre-tax profits sharply from I£2.74m to I£18.5m, (£15.4m). Turnover moved ahead from I£227.58m to I£244.11m.

After tax more than doubled at £3.47m (£1.01m), earnings advanced to 23.7p (17.42p) per share. The company said that the net cost of its defence during 1988 against GC&C Brands and Grand Metropolitan, had not yet been finalised and was therefore not included in its statement. When established, the cost would be taken as an extraordinary item and would not affect earnings.

IDG added that a claim had been made against GC&C in respect of its defence costs, on the grounds that GC&C had mounted an illegal consortium bid, which was later stopped by the European Commission.

COLORGRAPHIC

Profits rise 47% to £2.98m

Colorgraphic, the USM-quoted direct response print specialist, reported pre-tax profits almost 47 per higher for the year to December 31 last at £2.98m compared with £2.03m for the previous year.The improvement was on sales up from £25.2m to £34.67m.

Mr Nick Winks, chief executive, said the current year had started well and with strong management in all companies, the group had the marketing and technical skills to ensure that 1989 would be another excellent year.

There is a proposed final dividend of 4.05p (3.17p) making a total of 5.71p from earnings of 16.41p (12.84p). Tax took £1.09m (£791,000).

METALRAX

Profits top £6m with 20% rise

Taxable profits at Metalrax Group, the Birmingham-based specialist engineer, expanded 20 per cent to £6.09m in 1988. Turnover rose from £45.67m to £52.12m.

After tax of £2.05m (£1.8m), earnings per 5p share worked through at 8.51p, up from 6.94p in 1987. A recommended final dividend of 2.6p makes 3.48p (adjusted 2.727p) for the year.

For the twentieth successive year, the directors are proposing a 1-for-10 scrip issue.

LILLESHALL

Doubled profit to £1.28m

Lilleshall, industrial distribution and building products and property development group, doubled its pre-tax profit to £1.28m (£642,000) in 1988, on turnover up from £15m to £22.9m.

Earnings increased by 62 per cent to 13.1p (8.1p) per share. With a final dividend of 2.5p the total for the year goes up to 3.5p (1.5p). There is also a one-for-two scrip issue.

Commenting on the results, Mr John Leek, chairman, pointed out that margins for 1988 were adversely affected by extensive integration and rationalisation following acquisitions earlier in the year.

DOMESTIC & GENL

Profits up to over £1m

In the half year ended December 31 1988, Domestic & General Group lifted its pre-tax profit by 86 per cent, from £560,000 to £1.04m.

Trading profit of domestic appliance breakdown insurance rose to £2.04m (£1.56m). Liquid funds at December 31 were over £20m, and results benefited from high interest rates with net investment income rising from £616,000 to £1.07m.

There is an interim dividend of 2.75p. When the company came to the USM in May 1987 it said the interim would represent around one-third of the proposed total.

MOWAT GROUP

Acquisition of 3 acre site

Mowat Group, the USM-quoted property company, is acquiring a 3 acre development site opposite Portsmouth Ferry terminal through the £2.12m cash purchase of A & E Chapman, a private laundry and dry cleaning business.

Mowat says the end-value of the Portsmouth site is £10m, and there are further commercial and residential properties in Hampshire and Wiltshire owned by Chapman with an end-value of £4m. The laundry business is to be sold.

The offer is pitched at £26.50 per share.

ANDAMAN RES

Losses of £63,000

Andaman Resources, a mineral exploration company with shares traded on the Third Market in London and Dublin, reported a loss after tax of £62,636 for the year ending December 31 1988.

Myson checked by Main Gas fall

By Andrew Hill

PRE-TAX profits at Myson Group, the boiler and radiator manufacturer, increased by about 10 per cent from £20.6m to £22.6m before tax in 1988.

But operating margins on sales – which rose from £158m to £170m – were static. Earnings per share rose 10.5 per cent to 18.4p (16.65p), and the group recommended a final dividend of 3.95p, making 6.25p (5.4p) for the year.

Production planning problems at Main Gas, which makes fires and water heaters, cut pre-tax profits at the subsidiary by more than £1.5m, and there was also a delay in bringing the Hull Radiator plant up to full efficiency.

In addition, Mr Ray Wheeler, Myson's chairman, outlined three factors which held back margins during the year:

- a higher proportion of Myson's turnover consisted of bulk sales – for instance, through contracts with housebuilders – than higher-margin sales through established distribution networks;
- demand was generally stronger in the south of England, where Myson is less well-represented, than in the north;
- raw material prices increased sharply in the second half of the year.

Mr Wheeler warned that increased interest rates might dampen the demand for refurbishment of domestic central heating systems in 1989, although it would have little effect on the replacement market, which accounts for about 45 per cent of the industry's business.

"If I am realistic I cannot believe that the market is going to be quite as good in 1989 as it was in '87 and '88," he said yesterday.

But he said new lines of cast-iron and combination boilers – which link domestic central heating systems direct to the mains water supply – should help to push up Myson's margins during the year.

Mr Wheeler added that the group, which has £10m of cash inhand, was interested in expanding into the European market by acquiring a developed distribution network on the continent.

● COMMENT

Myson's shares were unchanged yesterday at 175p, as the City seemed to have allowed for the major setbacks during 1988, trimming back its forecasts as the year progressed. Analysts share Myson's expectations of a flat 1989 for the industry. Despite the impact of introducing new models, a likely recovery to full strength at Hull Radiators and Main Gas and an increase in boiler prices across the industry, Myson is still vulnerable to a downturn in volume. Improvements in the group's fully-computerised service network may give Myson an edge over competitors but that is not yet enough to convince analysts that the stock is worth buying. Once again they are looking for about £24m before tax in the full year, putting the shares on a prospective multiple of about 9 – a discount to the market but fair value nonetheless.

Clayform advances 23% to over £17m

CLAYFORM Properties, the property investment and development group which last summer was thwarted in a £108m bid for Stead & Simpson, the shoe retailer, reported a 23 per cent increase in pre-tax profits for the year to December 31.

The advance, from £14.13m to £17.42m, was achieved on turnover sharply down from £75.24m to £49.44m.

After tax of £5.58m (£4.6m), earnings moved ahead to 35.2p (27p). Net assets per 5p share increased 35 per cent to 310p (229p).

A proposed final dividend of 6.4p (5.7p) makes a total for the year of 9.5p (8.5p).

Mr Bryan Burletson, chairman, said that the group had a strong development programme which would come to fruition over the next few years.

Given the current economic climate, and particularly the increase in interest rates, he anticipated many opportunities to take full advantage of the strong balance sheet and cash reserves.

Acquisitions boost profits to £10m at Evans Halshaw

By John Thornhill

ACQUISITIONS helped Evans Halshaw Holdings, the Birmingham-based motor dealer, boost pre-tax profits by 57 per cent to £10m in 1988, up from £6.4m.

Turnover rose from £213.2m to £291.6m, an increase of 37 per cent. Earnings per share grew to 38.9p (28.3p). A recommended final dividend of 7p will make 10p (7p) for the year.

Mr Geoff Dale, chairman, said the group had made impressive progress in 1988, both in terms of profitability and business expansion.

The motor group, which now has 35 dealerships, made a trading profit of £8.81m (£5.86m), a 50 per cent rise. One Ferrari, one BMW and two Peugeot Talbot dealerships were added during the year. The acquisition of UBM Motors group in July for £7.5m also brought in three Ford car and two Iveco Ford truck dealerships.

The contract hire fleet was expanded by 50 per cent to 11,000 vehicles, and Mr Dale said he was aiming for a similar rate of expansion in the current year.

Auto Control, with its Car Fleet Systems subsidiary, which designs and markets computer software systems, was bought in April for £550,000, bringing significant systems technology to to the group, Mr Dale said.

These vehicle management services more-than-doubled trading profits to £1.36m (£516,000).

The Moprod distribution operation recorded a 24 per cent increase in profits from £1.04m to £1.3m. During the year, the company launched more product ranges and now has some 15,000 line items.

In December, Evans Halshaw paid £8.5m for one of its main competitors in this market, the Supra group, but its results were not included. Mr Dale said the acquisition would help create a business offering the widest range of components available to the parts aftermarket in the UK and Europe.

● COMMENT

Evans Halshaw is moving fast having gone on something of a buying spree during the year, paying nearly £19m in all for acquisitions. These purchases may take some time to deliver healthy profits and the rights issue during the year will also put something of a crimp in earnings growth. Moprod is experiencing some difficulties over stocking levels, as the mild weather has not been kind to spare parts suppliers, and this may result in a soft performance this year. But these inconveniences appear to be relatively minor hindrances in Evans Halshaw's onward march. Analysts are upbeat about the company's management, balance sheet and future prospects and are looking for pre-tax profits of £13m to £14m for the year. That would put Evans Halshaw on a prospective p/e ratio of about 8 to 8.5, which seems niggardly given the outlook in the longer term.

Rutland Trust profits double to £12.1m

By Philip Coggan

RUTLAND TRUST, the financial services group, announced more than doubled pre-tax profits of £12.09m in the calendar year 1988.

All four divisions increased profits substantially, with the largest contribution coming from head office and corporate finance with £4.19m (£1.11m). The division, through its subsidiary Capital Ventures, was helped by the boom in assured tenancy Business Expansion Schemes after the 1988 Budget.

The insurance broking and personal financial services division increased profits to £2.68m (£879,000) despite regulatory changes which favour tied, rather than independent, investment advisers. This division also includes Property Enterprise Managers, which raised over £60m for investments in Enterprise Zones.

The asset-backed finance division increased profits from £905,000 to £2.3m. The company's original factoring business has been sold but Technology Group, the leasing business, dealt with over £50m worth of equipment.

Professional services increased profits from £2.38m to £2.93m. Ellis & Buckle, the loss adjuster, increased turnover and profits despite the two mild winters; during the year, the division acquired a 78 per cent stake in Hunter & Partners, a building surveyor, which added £150,000-£200,000 to profits.

Mr Michael Langdon, chief executive, said that the group had £12m in cash

Group turnover was £74.01m (£23.47m) and after net interest receivable of £2.48m (£192,000 payable), pre-tax profits of £12.1m were up from last year's £5.28m. After deducting tax of £4.38m (£1.86m) and minority interests of £1.14m (£566,000), fully diluted earnings per share were 2.96p (1.66p). The final dividend is 0.42p (0.14p), making a total of 0.63p (0.24p).

● COMMENT

Rutland Trust has avoided some of the pitfalls which beset other financial services mini-conglomerates – it steered well clear of buying estate agencies, for example. And in 1988, Rutland concentrated on managing its existing businesses rather than splashing out on further acquisitions. Its rating has accordingly suffered less than most. Based on these figures, the shares, at 45p, are on a historic p/e ratio of 15, which should fall to a prospective 12.5 if the group makes £15.5m this year. That, together with its £12m in cash, leaves the group well-placed to make acquisitions. However, it may take some time before the current turmoil in the financial services sector sorts itself out and it is hard to see a favourable re-rating of the sector in the short term. At least the downside for Rutland should be limited by the spread of its activities.

EBC up 72% to £3.68m

EBC GROUP, the housebuilder and property developer which graduated from the USM to a full listing in August last year, saw pre-tax profits rise 72 per cent to £3.68m in the year to December 31. The increase, over 1987's £2.14m, was achieved on turnover up from £52.68m to £55.94m.

Earnings almost doubled to 31.71p (18.64p) and the directors have recommended a final dividend of 5.4p, bringing total payments for the year to 9p (7p).

Scott & Robertson jumps 61% to £2.6m

By Patrick Butler

SCOTT & ROBERTSON, the largest manufacturer of polythene film in the UK, increased its pre-tax profit by 61 per cent in 1988, from £1.6m to £2.6m.

Turnover more than doubled to £77.3m (£32.4m) and trading profit advanced to £3.76m (£2.08m).

Results were achieved without any contribution from British Visqueen, acquired a year ago for £11m, or Calney, purchased last October for £2m.

Those companies did not produce a positive result during the year, but changes had been made at both sites and increasing contributions were expected from them from 1989

The acquisition in May 1988 of Angloplas Polythene resulted in a small positive contribution.

Earnings per share rose to 18.51p (15.93p). The final is 3.8p making 5p (4p).

There were extraordinary below-the-line gains of £982,000, mainly from the sale of the 50 per cent holding in Foam Plus, and the wholly-owned C.S. Plastics.

As non-polythene activities they were seen as less than a perfect fit for group operations.

Mr Cameron McLatchie, chairman and chief executive, said he was looking for acquisitions in Europe while consolidating and strategically diversifying the UK operation.

High demand helps lift Abbeycrest to £3.36m

HIGH LEVELS of demand in its core product areas enabled Abbeycrest, the UK's largest manufacturer and distributor of gold and silver jewellery, to increase pre-tax profits by 42 per cent from £2.36m to £3.36m in 1988.

This jump in profits was struck on turnover which rose 18 per cent to £25.48m. After tax up at £1.21m (£904,000), earnings per 10p share advanced to 14.3p (10.9p adjusted for the one-for-five rights issue of April 1988).

The directors have proposed a final dividend of 1.8p, to make a total for the year of 2.7p.

Mr Michael Lever, chairman, said that the group had continued to increase its share of the expanding UK jewellery market and that demand for gold and silver chains, bangles, earrings and pendants had reached record levels in 1988, to the extent that, in November, the group had been unable to satisfy all its customers' orders due to production capacity constraints. Steps had been taken to rectify this.

UK COMPANY NEWS

Booker advances 22% to £78.7m

By David Waller

BOOKER, the international food, agriculture and health products group, last year weathered mixed conditions to achieve a 22 per cent increase in pre-tax profits from £64.3m to £78.7m.

In a year which agribusiness profits fell and food distribution profits rose strongly, earnings grew at 16 per cent, from 31.5p to 36.6p per share while turnover climbed from £1.26bn to £1.84m.

The figures were boosted by an unspecified but significant property profit – as much as £4-£5m, according to some analysts – and a tax charge down from 30 to 27 per cent.

Mr Jonathan Taylor, chief executive, said that agribusiness had suffered from no less than six big problems during the year. As a result, the division's profits as a whole fell from £35.4m to £34.1m, on turnover up from £175.9m to £203.6m.

The problems included: the high price of foodstuffs for the company's Arbor Acres and Nicholas poultry businesses in the US, the low price of turkey-meat, and disease and complications with the planning permission for a new mushroom farm.

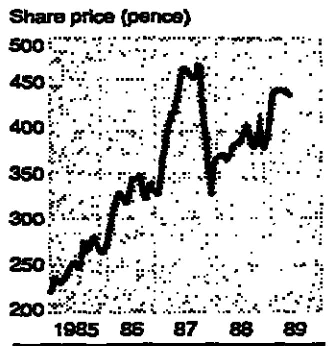
Despite hedging, exchange rate movements moved clipped agribusiness profits by £2m on translation into sterling.

Turnover in the food distribution business swelled from £949.4m to £1.49bn, reflecting last summer's £90m acquisition from Dee Corporation of the Linfood cash and carry business. Like for like sales growth was 9 per cent, Mr Taylor said.

The division's profits rose from £12.5m to £23.5m. According to the chief executive, most of the 88 per cent increase came from the original activities. The full benefits of rationalising and integrating Linfood are yet to come.

Booker

Share price (pence)



Meanwhile, the "exceptional costs of strategic repositioning" – particularly at Holland & Barrett – meant that health products profits fell from £8.1m to £7.4m. The contribution from other businesses vaulted from £8.3m to £13.7m, mainly because of the property sale.

There was an extraordinary credit of £18.1m, which arose because of a reorganisation of the accounting treatment of the company's past pensions contribution under SSAP 24.

The final dividend is 12p, making a total of 18p for the year – a rise of 17 per cent.

● **COMMENT**

In aggregate, yesterday's figures from Booker were very much as expected, and the shares reflected this by edging down 2p to 439p in line with the market. Nevertheless, there were one or two surprises. On the negative side, the spate of poultry problems in the US hit agribusiness profits a little harder than expected, and the property profit was a lot higher than expected. More positively, the three point fall in the tax rate was unexpected and helped to counteract the dilutive effects of last summer's 2-for-7 rights issue. Analysts gave the company credit for weathering difficult conditions in agribusiness – and for doing extremely well in the original food distribution businesses. Prospects for the current year and beyond look bright; the agribusiness problems are not likely to recur and the benefits of integrating Linfood will start to feed through. The market expects profits to rise to £95-97m, putting the shares on a fair prospective multiple of around 11.5.

James Halstead rises 14% to £3.3m

By Alice Rawsthorn

JAMES HALSTEAD, the floorcoverings and leisure products group that recently acquired the Driza-Bone clothing company in Australia, yesterday announced a 14 per cent increase in interim pre-tax profits from £2.9m to £3.3m.

Mr Stephen Knight, finance director, said the core floorcoverings business had performed well and Belstaff, the outdoor clothing company, had overcome its recent problems to return to profit.

Group turnover rose to £24.93m (£22.88m) in the six months to December 30. Earnings per share increased to 14.92p (13p) and an interim dividend of 3.75p (3.25p) is declared.

The floorcoverings division, which provided two thirds of sales and three quarters of profits, is the leading player in the UK market for contract vinyl flooring and also makes carpet tiles.

Mr Knight said the division had improved profitability in the first half thanks to increased production efficiency and easier raw material sourcing. So far, he said, the increase in interest rates had no impact on demand. Halstead is now completing a £4m programme to expand its warehousing and manufacturing facilities.

Belstaff, best known for its motorcycle jackets, fell into losses in the second half of last year. A new management team, introduced in the summer, has restructured the business and revitalised the product range.

Belstaff made its budgeted contribution to profits in the interim period. But Mr Knight said it had suffered from the unseasonally mild winter weather and the slowdown in consumer spending in the first two months of the second half.

Earlier this year Halstead acquired Driza-Bone, one of the most prestigious bushwear manufacturers in Australia which makes the popular caped "jackeroo" coats, for A$9.64m (£4.59m).

Driza-Bone has had a licensing agreement with Belstaff for the past five years. It has manufactured Belstaff's products in Australia, while Belstaff has produced its products for the European market. Halstead now intends to develop the Driza-Bone business more aggressively.

Mr Knight said the floorcoverings business had fared well so far in the second half, but Belstaff had become more sluggish. Halstead was, he said, beginning a "new phase of consolidation and digestion" as it integrated Driza-Bone within Belstaff.

MEMEC expands 28% to £8m

MEMEC (Memory and Electronic Components), the Oxfordshire-based distributor of semiconductor components, computer peripherals and related equipment, raised pre-tax profits 28 per cent to £8.3m in 1988. Sales expanded a similar amount to £81.17m.

Mr R Skipworth, chairman, said: "Customer orders and backlogs were again at record levels with demand coming from a diverse and large number of customers in all geographical areas."

Product innovation and advance in process technology gave the group opportunities to strengthen its product range, he added.

Memec continued to expand its core business in Europe and the US and during the period entered the Far Eastern market through the acquisition of two Hong Kong-based companies.

After tax of £3.01m (£1.91m) and minorities £128,000 (£86,000), earnings per 10p share improved to 19.9p (15.36p).

A proposed final dividend of 3.8p gives a total of 5.2p (4.125p) for the year.

Savage ahead 75% to £3.8m halfway

SAVAGE GROUP, the manufacturer and supplier of DIY, hardware and homecare products, achieved a 75 per cent jump in pre-tax profits from £2.17m to £3.81m in the six months to December 31. Turnover soared from £21.63m to £55.32m.

Mr Nicholas Savage, chairman of this USM-quoted group, said the acquisitions made during the latter part of the last financial year were now fully integrated. In particular, Groupe Triplex in France had performed satisfactorily in its first full half-year.

The group has made six European acquisitions since the start of the current financial period, the most significant being Pan Products of the UK, which takes the group into the garden products area.

Tax increased to £1.36m (£803,000) and earnings advanced to 5.3p (4.7p). A raised interim dividend of 1.5p (1p) was declared.

Columbian oil discovery for Tuskar

By Steven Butler

TUSKAR RESOURCES, the USM-quoted oil exploration company, yesterday said it had made a significant oil find in Colombia, amounting to a preliminary estimate of between 70m and 100m barrels of recoverable oil reserves.

The find, in Colombia's southern Llanos basin, is of heavy, 14 degree API oil, which would normally be difficult to produce due to high viscosity.

However, a test of one of the discovery wells flowed at 600 barrels a day due to what the company said were excellent reservoir properties, including high reservoir temperature and high porosity.

Tuskar has a direct and indirect interest in the well amounting to 86.4 per cent.

COMPANY NEWS IN BRIEF

ARTESIAN ESTATES announced that the closing date for applications has been extended to April 5.

CASPER OIL has entered into a conditional agreement to dispose of its interests in several properties in the Drinkard area of New Mexico for $2.65m (£1.5m). At July 31 1988 they had a book value of $2.2m.

CLAYFORM has acquired from Western International Trust, 5,247,153 shares (29.9 per cent) in Dunloe House Group for £2m cash.

COPYMORE, the North London office equipment distributor, says its first year on the USM has been a success, with turnover ahead 44 per cent and pre-tax profit up 41 per cent. Turnover was £17.42m (12.08m) and profit £1.85m (£1.31m). Earnings worked through at 11.1p (8.4p) and the final dividend is 1.7p for a total of 2.5p (2p).

COUNTYGLEN is paying £410,600 plus legal costs for retail and office accommodation in Micklegate, York, which generates annual gross rental income of £28,000; vendor is Whittington. Consideration will be satisfied by the issue of 374,600 shares, subject to a placing, and cash.

EMESS offer for JSB Electrical has been declared wholly unconditional. Acceptances were received in respect of 5,811,610 JSB shares (92.2 per cent).

NATIONAL WESTMINSTER'S proposed acquisition of Ultra Bancorporation will not be referred to the Monopolies Commission.

POWER CORPORATION has acquired 40 per cent of a major shopping development in Beverley Hills in partnership with AMEC and Scott D Malkin Interests. Equity consideration was $10m of which Power's contribution was $4.75m. Additionally, Power and AMEC have paid $32m which compensates for development costs incurred to date by LJ Hooker Int.

SENIOR ENGINEERING offshoot, Senior Tube, has bought the trade, freehold land and buildings in Cannock, West Midlands, plant and machinery and other fixed assets of Premier Tubes for £626,000 together with stocks and work-in-progress which have yet to be valued. Another subsidiary, Bluefield Manufacturing, has bought rights to market the Titan fastener in the US for $157,000.

SUTER purchased 94,325 of its own 5p ordinary shares on March 15 at 201p, bringing cumulative total of purchases to 594,325 ordinary.

SYKES-PICKAVANT Group has seen turnover rise 9 per cent and pre-tax profits grow 13 per cent in its first year on the USM. The group manufactures and distributes automotive and industrial service tools. Turnover came to £15.6m (£14.3m) and profit to £1.73m (£1.53m). Earnings in 1988 were up to 12.66p (11.47p). There is a final dividend of 3.5p to make 5.75p.

TIPHOOK has purchased the Cable and Wireless (Leasing) and the Echo Leasing Company from Cable and Wireless for £600,000 cash. Amount of future rentals receivable by leasing companies is some £4.2m, net of liabilities.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Benchmark, Burton, GR Holdings, Peterson Zochonis, Star Computer, TIP Europe.

Finals- BSG, Banner Homes, Bemrose, Bowthorpe, Bunzl, Burford, Christies, Cluff Resources, Clyde Petroleum, Dean & Bowes, Delta, Desouter Bros, Dickie (James), Eadie, Federated Housing, Food Inds, Geest, Hall Engineering, Handley Walker, Hepworth, Hewitt (J), Jacobs (John I), Johnston Cleaners, Kwik-Fit, Laing Properties, Law Debenture, Llanreed, London & Metropolitan, Mining & Allied Supplies, Morrison (Wm), Parsons Penny, Peek, Plaxton, Prudential, RTZ, River & Mercantile American Cap & Inc, Royal Sovereign, Sharp & Fisher, Southampton IOW Steam, Sumit, Trade Indemnity, WSP, Western Motor, Wimpey (George), World of Leisure.

FUTURE DATES

Interims-	
Bridport-Gundry	Mar. 23
Ossory Estates	Mar. 29
Sanderson Murray & Elder	Mar. 23
Strong & Fisher	Mar. 22
Town Centre Securities	Mar. 30
Finals-	
American Trust	Mar. 29
Britannia Arrow	Mar. 22
British Syphon	Mar. 28
Grampian	Mar. 29
London Atlantic Inv	May. 11
Miller (Stanley)	Mar. 28
More O'Ferrall	Mar. 30
Pearl	Apr. 12
Rockware	Mar. 29
Scottish Heritable Trust	Mar. 28
Tesco	Apr. 12
Weir	Mar. 30
Worcester	Mar. 29

UK COMPANY NEWS

Myson checked by Main Gas fall

By Andrew Hill

PRE-TAX profits at Myson Group, the boiler and radiator manufacturer, increased by about 10 per cent from £20.6m to £22.6m before tax in 1988.

But operating margins on sales — which rose from £158m to £170m — were static. Earnings per share rose 10.5 per cent to 18.4p (16.65p), and the group recommended a final dividend of 3.95p, making 6.25p (5.4p) for the year.

Production planning problems at Main Gas, which makes fires and water heaters, cut pre-tax profits at the subsidiary by more than £1.5m, and there was also a delay in bringing the Hull Radiator plant up to full efficiency.

In addition, Mr Ray Wheeler, Myson's chairman, outlined three factors which held back margins during the year:

- a higher proportion of Myson's turnover consisted of bulk sales — for instance, through contracts with housebuilders — than higher-margin sales through established distribution networks;
- demand was generally stronger in the south of England, where Myson is less well-represented, than in the north;
- raw material prices increased sharply in the second half of the year.

Mr Wheeler warned that increased interest rates might dampen the demand for refurbishment of domestic central heating systems in 1989, although it would have little effect on the replacement market, which accounts for about 45 per cent of the industry's business.

"If I am realistic I cannot believe that the market is going to be quite as good in 1989 as it was in '87 and '88," he said yesterday.

But he said new lines of cast-iron and combination boilers — which link domestic central heating systems direct to the mains water supply — should help to push up Myson's margins during the year.

Mr Wheeler added that the group, which has £10m of cash inhand, was interested in expanding into the European market by acquiring a developed distribution network on the continent.

● COMMENT

Myson's shares were unchanged yesterday at 175p, as the City seemed to have allowed for the major setbacks during 1988, trimming back its forecasts as the year progressed. Analysts share Myson's expectations of a flat 1989 for the industry. Despite the impact of introducing new models, a likely recovery to full strength at Hull Radiators and Main Gas and an increase in boiler prices across the industry, Myson is still vulnerable to a downturn in volume. Improvements in the group's fully-computerised service network may give Myson an edge over competitors but that is not yet enough to convince analysts that the stock is worth buying. Once again they are looking for about £24m before tax in the full year, putting the shares on a prospective multiple of about 9 — a discount to the market but fair value nonetheless.

Rutland Trust profits double to £12.1m

By Philip Coggan

RUTLAND TRUST, the financial services group, announced more than doubled pre-tax profits of £12.09m in the calendar year 1988.

All four divisions increased profits substantially, with the largest contribution coming from head office and corporate finance with £4.19m (£1.11m). The division, through its subsidiary Capital Ventures, was helped by the boom in assured tenancy Business Expansion Schemes after the 1988 Budget.

The insurance broking and personal financial services division increased profits to £2.68m (£879,000) despite regulatory changes which favour tied, rather than independent, investment advisers. This division also includes Property Enterprise Managers, which raised over £60m for investments in Enterprise Zones.

The asset-backed finance division increased profits from £905,000 to £2.3m. The company's original factoring business has been sold but Technology Group, the leasing business, dealt with over £50m worth of equipment.

Professional services increased profits from £2.38m to £2.93m. Ellis & Buckle, the loss adjuster, increased turnover and profits despite the two mild winters; during the year, the division acquired a 78 per cent stake in Hunter & Partners, a building surveyor, which added £150,000-£200,000 to profits.

Mr Michael Langdon, chief executive, said that the group had £12m in cash

Group turnover was £74.01m (£23.47m) and after net interest receivable of £2.48m (£192,000 payable), pre-tax profits of £12.1m were up from last year's £5.28m. After deducting tax of £4.38m (£1.85m) and minority interests of £1.14m (£568,000), fully diluted earnings per share were 2.98p (1.66p). The final dividend is 0.42p (0.14p), making a total of 0.63p (0.24p).

● COMMENT

Rutland Trust has avoided some of the pitfalls which beset other financial services mini-conglomerates — it steered well clear of buying estate agencies, for example. And in 1988, Rutland concentrated on managing its existing businesses rather than splashing out on further acquisitions. Its rating has accordingly suffered less than most. Based on these figures, the shares, at 45p, are on a historic p/e ratio of 15, which should fall to a prospective 12.5 if the group makes £15.5m this year. That, together with its £12m in cash, leaves the group well-placed to make acquisitions. However, it may take some time before the current turmoil in the financial services sector sorts itself out and it is hard to see a favourable re-rating of the sector in the short term. At least the downside for Rutland should be limited by the spread of its activities.

Clayform advances 23% to over £17m

CLAYFORM Properties, the property investment and development group which last summer was thwarted in a £108m bid for Stead & Simpson, the shoe retailer, reported a 23 per cent increase in pre-tax profits for the year to December 31.

The advance, from £14.13m to £17.42m, was achieved on turnover sharply down from £75.24m to £49.44m.

After tax of £5.58m (£4.6m), earnings moved ahead to 35.2p (27p). Net assets per 5p share increased 35 per cent to 310p (229p).

A proposed final dividend of 6.4p (5.7p) makes a total for the year of 9.5p (8.5p).

Mr Bryan Burletson, chairman, said that the group had a strong development programme which would come to fruition over the next few years.

Given the current economic climate, and particularly the increase in interest rates, he anticipated many opportunities to take full advantage of the strong balance sheet and cash reserves.

Acquisitions boost profits to £10m at Evans Halshaw

By John Thornhill

ACQUISITIONS helped Evans Halshaw Holdings, the Birmingham-based motor dealer, boost pre-tax profits by 57 per cent to £10m in 1988, up from £6.4m.

Turnover rose from £213.2m to £291.6m, an increase of 37 per cent. Earnings per share grew to 38.9p (28.3p). A recommended final dividend of 7p will make 10p (7p) for the year.

Mr Geoff Dale, chairman, said the group had made impressive progress in 1988, both in terms of profitability and business expansion.

The motor group, which now has 35 dealerships, made a trading profit of £8.81m (£5.86m), a 50 per cent rise. One Ferrari, one BMW and two Peugeot Talbot dealerships were added during the year. The acquisition of UBM Motors group in July for £7.5m also brought in three Ford car and two Iveco Ford truck dealerships.

The contract hire fleet was expanded by 50 per cent to 11,000 vehicles, and Mr Dale said he was aiming for a similar rate of expansion in the current year.

Auto Control, with its Car Fleet Systems subsidiary, which designs and markets computer software systems, was bought in April for £550,000, bringing significant systems technology to to the group, Mr Dale said.

These vehicle management services more-than-doubled trading profits to £1.36m (£516,000).

The Moprod distribution operation recorded a 24 per cent increase in profits from £1.04m to £1.3m. During the year, the company launched more product ranges and now has some 15,000 line items.

In December, Evans Halshaw paid £8.5m for one of its main competitors in this market, the Supra group, but its results were not included. Mr Dale said the acquisition would help create a business offering the widest range of components available to the parts aftermarket in the UK and Europe.

● COMMENT

Evans Halshaw is moving fast having gone on something of a buying spree during the year, paying nearly £19m in all for acquisitions. These purchases may take some time to deliver healthy profits and the rights issue during the year will also put something of a crimp in earnings growth. Moprod is experiencing some difficulties over stocking levels, as the mild weather has not been kind to spare parts suppliers, and this may result in a soft performance this year. But these inconveniences appear to be relatively minor hindrances in Evans Halshaw's onward march. Analysts are upbeat about the company's management, balance sheet and future prospects and are looking for pre-tax profits of £13m to £14m for the year. That would put Evans Halshaw on a prospective p/e ratio of about 8 to 8.5, which seems niggardly given the outlook in the longer term.

EBC up 72% to £3.68m

EBC GROUP, the housebuilder and property developer which graduated from the USM to a full listing in August last year, saw pre-tax profits rise 72 per cent to £3.68m in the year to December 31. The increase, over 1987's £2.14m, was achieved on turnover up from £52.68m to £55.94m.

Earnings almost doubled to 31.71p (18.64p) and the directors have recommended a final dividend of 5.4p, bringing total payments for the year to 9p (7p).

Scott & Robertson jumps 61% to £2.6m

By Patrick Butler

SCOTT & ROBERTSON, the largest manufacturer of polythene film in the UK, increased its pre-tax profit by 61 per cent in 1988, from £1.6m to £2.6m.

Turnover more than doubled to £77.8m (£32.4m) and trading profit advanced to £3.76m (£2.06m).

Results were achieved without any contribution from British Visqueen, acquired a year ago for £11m, or Calmey, purchased last October for £2m.

Those companies did not produce a positive result during the year, but changes had been made at both sites and increasing contributions were expected from them from 1989

The acquisition in May 1988 of Angloplas Polythene resulted in a small positive contribution.

Earnings per share rose to 18.51p (15.98p). The final is 3.8p making 5p (4p).

There were extraordinary below-the-line gains of £962,000, mainly from the sale of the 50 per cent holding in Foam Plus, and the wholly-owned C.S. Plastics.

As non-polythene activities they were seen as less than a perfect fit for group operations.

Mr Cameron McLatchie, chairman and chief executive, said he was looking for acquisitions in Europe while consolidating and strategically diversifying the UK operation.

High demand helps lift Abbeycrest to £3.36m

HIGH LEVELS of demand in its core product areas enabled Abbeycrest, the UK's largest manufacturer and distributor of gold and silver jewellery, to increase pre-tax profits by 42 per cent from £2.36m to £3.36m in 1988.

This jump in profits was struck on turnover which rose 18 per cent to £25.48m. After tax up at £1.21m (£904,000), earnings per 10p share advanced to 14.3p (10.9p adjusted for the one-for-five rights issue of April 1988).

The directors have proposed a final dividend of 1.8p, to make a total for the year of 2.7p.

Mr Michael Lever, chairman, said that the group had continued to increase its share of the expanding UK jewellery market and that demand for gold and silver chains, bangles, earrings and pendants had reached record levels in 1988, to the extent that, in November, the group had been unable to satisfy all its customers' orders due to production capacity constraints. Steps had been taken to rectify this.

Failure of talks leaves cocoa pact in tatters

By David Blackwell

THE LATEST failure of delegates to the International Cocoa Organisation to agree on anything at all leaves the agreement in tatters.

Weary delegates at the end of the special session said on Friday that the meeting had been a complete waste of time. Analysts now view the producer and consumer countries as further apart than before.

"The talks clearly revealed that the two sides are poles apart," said one analyst yesterday. "Somebody must have thought they would achieve something. But they are left in an untenable situation which can only get worse."

The delegates were brought to London at the request of the UK, West Germany and the Netherlands. They were seeking to end the year-long deadlock over the prices the agreement should be defending, and to suspend the $30-a-tonne levy paid by exporters of member cocoa and importers of non-member cocoa.

But the talks were doomed from the start – the first day and a half was spent in argument over whether or not the defence price range should be on the agenda at all.

In the event the consumers set the issue to one side, only to make a statement at the end of the week to the effect that they considered the price range had been reduced further.

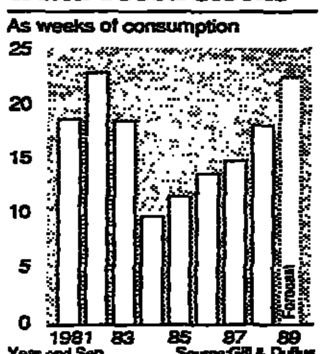
Producers insist, however, that the range remains at 1,485 to 2,155 Special Drawing Rights a tonne – a stance that has left the agreement inoperable. Consumers say two automatic cuts of 115 SDRs each have been applied.

The talks on the levy system fared no better, with both sides refusing to yield their entrenched positions.

Most producing countries have stopped paying export levies, and between them they owe the organisation $95m.

World cocoa stocks

As weeks of consumption



The Ivory Coast alone is in the red to the tune of $60m.

By Friday evening consumers were asking the Council to rule whether non-payment of arrears was a breach of the agreement. As ever, no decision was reached, and some consumer countries consider that the way is now open for them to stop paying their levies.

The buffer stock manager sought and failed to get permission and funds to rotate some of the organisation's 250,000 tonnes of cocoa in order to maintain its quality. Later, Mr Momo Mohammed, the producer spokesman, said that if any money was to be spent, it should go on a withholding scheme – the agreement's next level of price defence.

The agreement is now left with no agreed price range; no agreement to reduce, suspend or abolish the levy; no rotation of the buffer stock; no withholding scheme; and no money, one analyst said yesterday.

Consumers are bitter about the outcome. Mr Peter Baron, the West German spokesman for the consumers, said after the talks ended that most of the non-decision making would ultimately damage the producers' interests. It was also very unfortunate for international commodity policies in general, he said.

Mr David Fry, the UK delegate, said the UK deeply regretted that the cocoa council had failed to take the opportunity at least to restore respectability to the cocoa agreement.

"It is unacceptable that countries who do not meet their obligations continue to insist that others do. No international agreement can work on this basis."

Mr Mohammed admitted that the agreement had reached an impasse. However, if the political will was there, the agreement could work, he said.

The existing agreement runs out at the end of September next year, and analysts think it increasingly unlikely that any new agreement – if there is one – will include price stabilisation measures. The council will meet again this September.

Meanwhile, the market steadfastly ignored the talks last week, having grown inured to the death throes of the agreement. "The ICCO is no longer all that important," said one analyst yesterday, pointing out that the market was keeping a much closer eye on the fundamental oversupply and the Ivory Coast's recent deals with Sucrés et Denrees, the French trade house.

● On the London futures market yesterday cocoa prices closed at the lowest levels for six weeks amid reports from New York that a major London trade house was working on a large purchase from Sucrés et Denrees, the Paris trader that earlier in the year bought 400,000 tonnes of beans that the Ivory Coast had been holding off the market because it considered prices were unreasonably low.

The May position ended the day £18 down at £832 a tonne.

Zeroing in on agricultural price support

Pressure for free trade is growing, but EC politicians will have none of it

IT ALL began in ancient Egypt; it will all end, if the Cairns Group and the US have their way, by the turn of the century.

The first recorded state intervention in the free market for food was when Joseph persuaded the Pharoah to withold grain from the market and store it for seven years of plenty, in preparation for the prospect of lean years to come.

If nothing else, the Bible story tells us that nomadic subsistence agriculture had given way to a split society in which farmers cultivated their land and sold some of their produce to those who had collected in towns. It also indicates that adequate food supplies were already recognised by the rulers of nations as crucial to internal peace and prosperity.

In Britain the first Corn Laws governing the import and export of grain were imposed as early as the 12th century. The regulations changed constantly through the Middle Ages and into the 19th century, duties and levies being altered according to the levels of price and domestic supply at the time. The Laws were finally repealed in 1846.

But governmental intervention in the price of food has of course continued to this day. Indeed it has reached levels which William Cobbett could not have imagined when, in 1815, he correctly forecast that the measure just adopted by the Government of the time to maintain the price of wheat would instead provoke a sense of injustice.

FARMER'S VIEWPOINT

By David Richardson

Today intervention in the free market for food still provokes similar feelings. Consumers believe that food prices are kept artificially high and that farmers are feather-bedded. Farmers know to their cost that current controls on production and support levels for some commodities leave even the most efficient unable to make profit.

The 25 per cent fall in average farm income in the UK during 1988, as recently revealed in the Government's own review of the industry, is ample evidence of the sorry state of large sectors of agriculture.

A survey of 300 East Anglian farms, about to be released by the Agricultural Economics Department of Cambridge University, will also show that in 1987-88 less than half of all the farms studied made any profit. Those specialising in cereal production all recorded losses.

The background to the problem is well known. Agriculture Ministers of the EC have in the past, for largely political reasons, set support prices at levels which encouraged over-production. The costs of such support ultimately reached unsustainable levels so that the current Council of Agriculture Ministers, under pressure from their financial counterparts, have been forced to make drastic cuts.

European Community farm spending is now within budget. But many farmers who feel they have been the victims of political ineptitude are finding it difficult to survive.

Interference in agriculture, however, is not limited to setting prices in order to control the quantities produced. Increasingly the EC is intervening for social rather than economic reasons.

Next week for instance a new system of support for beef production comes into force. Instead of receiving so-called premium payments which varied according to time of year, demand and quality, EC cattle farmers will now receive a single payment for each animal – whether it is likely to produce prime beef or not – and limited to 90 animals per farm.

In other words the measure is designed to favour small farmers in France, Italy and so on, who keep less than 90 cattle, and penalise bigger more efficient producers in countries like Britain. By removing some of the incentive to produce quality it may also lead to a deterioration of beef in the shops.

Like the Pharoah, of course, we have to recognise that food is important. Indeed practically every country in the world interferes with its free production and marketing. Practically every country in the world also seems to get it wrong most of the time.

It is hardly surprising therefore that a growing number of UK farmers are becoming sympathetic to proposals to the General Agreement on Tariffs and Trade by the Cairns Group of southern hemisphere nations led by Australia, and the US.

In simple terms they advocate the abolition of all duties and levies on basic commodities, allowing free trade throughout the world. The Americans call it the "zero option" and have said, perhaps not entirely convincingly, that it should be achieved by the year 2000.

As a farmer who has become accustomed to receiving a regular fix of subsidy and guaranteed price, I inevitably have mixed feelings on the prospect of being forcibly weaned off the habit.

Nevertheless, on balance I think I would be happy to take my chance in a free trading environment, always provided I could be confident that the same system would be adopted at the same time on a worldwide basis.

It would of course lead to more volatility of prices and variability of production in the short term. But following a period of rationalisation production would concentrate into the most viable areas around the world; efficiency would improve and consumers would ultimately benefit.

Farming as I do in a country with a climate that is normally kind to crop production and grass growth and enjoying a well-developed structure, I would be prepared to back my efficiency against the rest. I would expect to suffer poor profits in some years but to do much better in others. Prices and production left free of interference would become self-correcting.

But it is not going to happen. The politicians of the European Community do not agree. The removal of controls and price support from food production is, they say, unrealistic. Clearly they wish to be able to continue to manipulate production and prices and beyond that the shape and structure of rural communities.

That being the case, it seems to me they should publicly discriminate between payments made for social rather than agricultural reasons. And having decided, as they apparently have, to reject the "zero option" or anything like it, they should exercise effective control of production and ensure viable prices for efficient producers.

At present farmers feel like aunt sallys – that they have been set up during the 1970s and early 1980s only to be knocked down again in the 1990s – or perhaps even earlier.

Having chosen to involve themselves in agriculture rather than allowing markets to find their own levels, governments surely have a duty to those involved – producers and consumers – to ensure the trading conditions they create are fair and reasonable.

Bolivia expects sharp rise in tin output

BOLIVIA'S TIN output could rise nearly 50 per cent to around 15,000 tonnes in 1989 as the Government's programme to revitalise its mining industry takes effect, according to Mr Jaime Villalobos, the Mines Minister, reports Reuter from La Paz.

Government figures show Bolivia produced 10,300 tonnes of tin in 1988.

The expected production increase would mean Bolivia was in a position to meet its export quota of 14,000 tonnes set by the Association of Tin Producing Countries, Mr Villalobos pointed out. In 1988 it fell short of its quota by 1,200 tonnes, but the deficit would have been greater had Bolivia not imported tin concentrate from Brazil for refining. The Minister said Bolivia imported 600 tonnes from Brazil last year, but industry sources put the figure far higher at around 2,000 tonnes.

Offificals at the Ministry said the expected production increase this year would come mainly from two state-owned mines, Huanuni and Colquiri.

Huanuni, once Bolivia's most important tin mine, restarted production last October after being closed for more than two years. The start-up was six months behind schedule because of labour problems and this delay was blamed for the shortfall which forced Bolivia to import the concentrate from Brazil.

The Huanuni mine is forecast to produce some 400 tonnes a month in 1989, around double its average output in the final quarter of last year, the ministry officials said. But they cautioned that the achieving of that rate would depend on the introduction of a three-shift system at the mine, which workers are resisting.

The Colquiri mine, which has also been closed since August 1986, is expected to resume operations around August, with output of some 240 tonnes a month.

Mr Villalobos said the improvement in the outlook for the Bolivian tin industry was part of a general surge in metal output.

Zinc exports rose to 54,000 tonnes in 1988 from 39,600 tonnes the year before, while silver sales jumped to 216 tonnes from 151 tonnes previously. The Minister said silver output was expected to rise further to 300 tonnes in 1989.

But the sharpest rise was in gold output which leapt to 4.2 tonnes from 2.6 tonnes.

Mr Villalobos said at least as much gold again was smuggled out of the country last year, despite the Government's setting of a single 1.5 per cent tax on exports.

The Government calculated Bolivia would need to invest $1.3bn in the mining sector over the next 12 years, the Minister said, but the state would be in a position to provide only $150m of this capital with the rest coming from private and particularly foreign investors.

However, a number of legal moves designed to facilitate foreign investment were being held up in Congress until after coming general elections, the first round of which will be held in May and the second in early August.

The new mining code would include the lifting of restrictions on foreign companies mining within 30 miles of the frontier and rules to protect the interests of international companies participating in joint venture projects, he said.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium	+300	to 141,200
Copper	+6,250	to 93,775
Lead	−3,273	to 43,775
Nickel	+522	to 3,822
Zinc	+1,775	to 41,950
Tin	−285	to 1,695
Silver (oz).	−570,000	to 13,160,000

Peru seeks talks on mine strike threat

By Veronica Baruffati in Lima

MR JOSE Carrasco Tavara, the Peruvian Minister of Energy and Mines, wants government and miners' representatives to meet around the negotiation table in an effort to prevent the three day miners' strike planned for the end of March.

Last December, at the end of the last miners' strike, the Government and the Miners' Federation agreed to set up a multi-sectorial committee to look into the miners' nationwide demands.

"This is the mechanism by which to find common points in this conflictive situation. . . if we are sitting around the table negotiating, then it is only logical, sensible, prudent and gentlemanlike to continue these talks because we haven't finished them yet," said the Minister.

EC price compromise offered

By Tim Dickson in Brussels

NEGOTIATIONS in this year's farm price talks resumed in Brussels yesterday when Mr Carlos Romero, Spain's Agriculture Minister and current chairman of the European Community's Farm Council, launched his first serious attempt to break the deadlock.

Mr Romero's compromise proposals – which included abandoning the Commission's original plans for shortening the period of guaranteed intervention buying in the cereals sector and "a considerably smaller" reduction in the sugar price – immediately came under fire, however, from Mr Raymond MacSharry, the EC's Farm Commissioner.

"We reject both points," his spokesman, Mr Bruno Julien, declared last night. "The 5 per cent sugar price cut is not sacrosanct but Spain's call for a considerable reduction is going too far."

The Commission's willingness to endorse any weakening of its proposals for a price freeze for most products will be crucial to the final outcome of the negotiations, which have so far proved tougher than expected.

The reaction of member states to Mr Romero's ideas was not clear last night but several ministers have been arguing that the automatic price cuts introduced under last year's budget "stabiliser" programme have already caused more than enough pain for community producers.

Besides the cereals and sugar changes, the Spanish presidency compromise included a reduction in the co-responsibility levy for milk producers – the cost of which would be off-set by a cut in the intervention price for butter – as well as concessions to fruit and vegetable farmers, notably in the regimes for satsumas and clementines, apples and peaches and pears.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased early in the morning reflecting a larger than expected increase of 6,250 tonnes in LME warehouse stocks. This came on top of Friday's rise of 990 tonnes in stocks on Comex. Stocks on both exchanges are around six-month highs. The afternoon saw patchy trading as the market tried to consolidate above the £1,740 a tonne level for three-month metal. Analysts said that if kerb trading closed below this level and Comex failed to recover to 136 cents a lb for May the markets would go into a "definite bear groove". Zinc eased with copper. Three-month nickel held above the $16,000 a tonne level under the influence of small-scale West German offtake. But there was insufficient fresh enquiry to suggest the recent downtrend would be reversed. Aluminium retreated on news that IPAI non-Communist primary production rose by 300 tonnes a day in February.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.80z	-.125
Brent Blend	$18.65-8.75q	-0.10
W.T.I. (1 pm est)	$19.25-9.30z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	+3
Gas Oil	$153-154	+1
Heavy Fuel Oil	$86-87	-1.5
Naphtha	$175-177	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$396.0	+3.0
Silver (per troy oz)♣	617c	+3
Platinum (per troy oz)	$549.0	+5.15
Palladium (per troy oz)	$145.0	
Aluminium (free market)	$1900	-110
Copper (US Producer)	145⅝-47¼c	-2
Lead (US Producer)	37.5c	
Nickel (free market)	745c	-40
Tin (European free market)	£9235	-7.5
Tin (Kuala Lumpur market)	24.32r	-0.05
Tin (New York)	410.5c	-0.5
Zinc (US Prime Western)	95¾c	
Cattle (live weight)†	109.57p	-0.43*
Sheep (dead weight)†	195.99p	+19.4*
Pigs (live weight)†	83.52p	-0.37*
London daily sugar (raw)	$339.0v	-4.4
London daily sugar (white)	$328.0v	-3.5
Tate and Lyle export price	£286.5	-2.5
Barley (English feed)	£116q	-1
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£129.25v	
Rubber (spot)♥	67.50p	-0.50
Rubber (Apr) ♥	67.75p	-0.25
Rubber (May) ♥	68.25p	-0.25
Rubber (KL RSS No 1 Apr)	300.5m	-0.5
Coconut oil (Philippines)§	$545v	-7.5
Palm Oil (Malaysian)§	$407.5w	+2.5
Copra (Philippines)§	$355	
Soyabeans (US)	$203q	+1
Cotton "A" index	67.00c	+0.70
Wooltops (64s Super)	645p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. x-May/Jun. w-Apr/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	835	843	839 827
May	832	850	855 831
Jul	829	852	855 828
Sep	835	855	851 833
Dec	865	887	878 864
Mar	847	865	859 847
May	848	862	857 845

Turnover:7300 (3529) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 17:1093.75 (1104.11):10 day average for Mar 20:1094.09 (1093.15).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1165	1170	1170 1157
May	1150	1150	1162 1140
Jly	1096	1105	1104 1095
Sep	1087	1089	1089 1083
Nov	1080	1087	1084 1077
Jan	1079	1086	1083 1080
Mar	1078	1087	1082

Turnover:2380 (3191) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 20: Comp. daily 119.82 (119.74); . 15 day average 118.86 (118.56).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
May	276.20	273.60	276.40 271.00
Aug	276.60	274.00	276.40 272.00
Oct	273.60	271.00	274.00 269.40
Dec	270.00	268.00	269.00
Mar	266.00	264.00	262.00
White	**Close**	**Previous**	**High/Low**
May	326.50	324.50	324.00 321.50
Aug	332.00	330.00	329.50 327.00
Oct	321.00	319.00	319.00 316.00
May	304.00		303.50

Turnover: Raw 2777 (4363)lots of 50 tonnes. White 803 (492).
Paris- White (FFr per tonne): May 2051, Aug 2075, Oct 2005, Dec 1960, Mar 1920, May 1915.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
1850	112	129	32	80
1950	57	83	76	132
2050	25	51	142	196
Copper (Grade A)	**Calls**		**Puts**	
2800	287	219	35	134
3000	138	130	103	239
3200	36	72	221	375

TEA

There were 19,989 packages on offer at this weeks auction, including 5,800 in the offshore section, reports the Tea Brokers' Association. There was good general demand. End of season Assams sold at easier rates. Good medium and bright liquoring Africans remained fully firm to dearer but plainer descriptions were irregular and often lower. Ceylons proved a strong feature and tended dearer particularly the brighter teas. The offshore offerings attracted fairly good demand with prices about steady except for plainer sorts. Quotations: quality 190p nominal (184p) medium 107p (no change) low medium 83p (no change).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,050 tonne
Cash	1905-10	1960-3		1895-900		
3 months	1912-5	1960-5	1980/1895	1900-5	1912-5	30,360 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,800 tonne
Cash	1855-60	1875-80	1845	1845-6		
3 months	1739-40	1749-51	1750/1720	1735-6	1738-9	66,691 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	611-2	610-3		610-0.5		
3 months	626-7	623-6		625-5.5		347 lots
Lead (£ per tonne)						Ring turnover 14,150 tonne
Cash	339-41	337-9		341-2		
3 months	348.5-9.5	347-8	351/349	349-50	346-8	3,632 lots
Nickel ($ per tonne)						Ring turnover 1,746 tonne
Cash	16450-550	17100-300	16600/16550	16500-600		
3 months	16100-50	16800-1	16300/15900	16100-50	16100-50	6,495 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,975 tonne
Cash	1840-5	1890-900	1843/1840	1840-3		
3 months	1800-5	1850-5	1820/1803	1810-20	1800-10	6,777 lots
Zinc ($ per tonne)						Ring turnover 16,900 tonne
Cash	1850-5	1870-5	1835	1835-40		
3 months	1785-90	1807-10	1815/1755	1776-80	1775-80	11,812 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	69.0	67.2	69.0 66.5
May	88.9	88.0	86.5 86.1
Nov	91.0	88.9	90.0
Apr	131.5	129.8	132.5 130.0

Turnover 155 (130) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	167.50	165.50	167.50 166.50
Jun	160.00	157.50	160.00 159.00
Aug	156.50	154.00	156.50 156.00
Oct	155.50		155.50 155.00

Turnover 164 (74) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Mar	1648	1660	1655 1648
Apr	1645	1646	1660 1645
Jul	1400	1398	1410 1400
Oct	1503	1510	1510 1500
Jan	1535	1540	1595 1535
Apr	1585	1590	1595 1585
BFI	1644	1645	

Turnover 272 (715)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	115.75	115.75	115.75
May	118.00	117.95	118.00 117.95
Jun	119.90	119.90	119.90
Sep	103.55	103.50	103.55 103.50
Nov	105.90	105.85	106.00 105.90
Jan	108.90	108.85	108.90
Mar	111.80	111.75	111.80
Barley	**Close**	**Previous**	**High/Low**
Mar	110.00	110.30	110.15 110.00
May	111.20	111.40	111.25 111.20
Sep	100.70	100.70	100.70

Turnover: Wheat 76 (159) . Barley 7 (9) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	395¾-396¼	231½-232
Opening	395-395½	230½-231
Morning fix	395.30	230.590
Afternoon fix	395.50	230.976
Day's high	396¼-396¾	
Day's low	394¾-395¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	407-412	238-241
Britannia	407-412	238-241
US Eagle	407-412	238-241
Angel	407-412	238-241
Krugerrand	394½-397½	231-233
New Sov.	93-94	54½-55¼
Old Sov.	93-94	54½-55¼
Noble Plat	558.0-565.3	324.86-330.10
Silver fix	**p/fine oz**	**US cts equiv**
Spot	358.85	615.15
3 months	370.45	631.25
6 months	382.45	648.95
12 months	404.40	682.80

CRUDE OIL $/barrel

	Close	Previous	High/Low
May	17.89	17.91	18.08 17.80
Jun	17.38	17.44	17.52 17.31
Jul	16.97	17.03	17.10 16.90
IPE Index	17.92	17.66	

Turnover: 4718 (5801)

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	149.50	150.25	151.00 148.50
May	147.50	148.25	148.25 146.50
Jun	146.50	147.00	147.00 145.75
Jul	146.00	147.00	147.00 146.00
Aug	147.75	148.00	148.00 147.00
Oct	150.00	151.75	150.00 150.00
Nov	151.25	152.00	151.50 150.00
Dec	153.00	153.00	153.00

Turnover 5497 (6051) lots of 100 tonnes

US MARKETS

IN THE METALS, gold prices advanced on trade buying seen on the opening, reports Drexel Burnham Lambert. Silver followed golds firm opening but some dealer selling prevented any further gains. Platinum trading featured mixed commission house activity. Copper futures fell sharply as an increase in both Comex and London copper stocks was noted. In the softs speculative and commission house selling weakened the cocoa market. Sugar futures gained on some fund and trade activity. The May contract closed up 18. Some trade selling also sent coffee prices lower. In livestock trading, lower cash bellies and slow user demand for products kept the pork bellies from advancing. Late short covering firmed prices near the close. The hogs were weak as a possible Japanese reduction of imports from the US weighed on the market. Cattle futures gained due mostly to increased packer business. The energy markets featured some long liquidation. Crude prices remained below the $19 level basis the June contract. Cotton futures drifted lower on some scattered profit taking along with sell stops adding weakness to the market.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	396.1	393.6	396.2	396.2
Apr	397.4	395.0	399.0	399.8
May	399.9	397.4	0	0
Jun	402.5	399.9	404.0	401.8
Aug	408.2	405.5	409.5	408.0
Oct	414.4	411.6	415.0	414.5
Dec	420.7	417.8	422.0	420.0
Feb	426.8	423.8	427.0	427.0
Apr	432.9	429.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	547.7	550.1	556.0	547.0
Jul	547.7	550.1	556.0	547.0
Oct	547.7	550.1	556.5	547.0
Jan	549.2	551.6	553.6	551.0
Apr	550.7	553.1	557.0	557.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	611.4	612.4	617.0	617.0
Apr	612.7	613.7	617.0	617.0
May	618.5	619.5	626.0	617.5
Jul	630.8	631.9	640.0	629.5
Sep	643.0	644.1	652.0	642.0
Dec	660.8	661.9	670.0	660.0
Jan	666.6	667.7	0	0
Mar	678.6	679.7	689.0	682.0
May	690.1	691.2	0	0
Jul	702.1	702.9	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 17	Mar 16	mnth ago	yr ago
2012.2	2001.2	1930.6	1718.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.70	137.84	134.15	129.59
Futures	141.59	141.07	137.06	132.62

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	138.85	142.00	139.30	138.00
Apr	135.35	139.40	0	0
May	133.35	136.90	133.80	132.00
Jul	126.10	129.60	128.70	125.50
Sep	120.40	123.60	120.50	119.60
Dec	115.20	118.10	115.40	114.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.60	20.33	20.35	19.55
May	19.20	19.48	19.45	19.12
Jun	18.89	18.91	18.90	18.65
Jul	18.34	18.49	18.50	18.28
Aug	18.08	18.18	18.15	17.93
Sep	17.82	17.93	17.92	17.80
Oct	17.64	17.70	17.73	17.55
Dec	17.24	17.34	17.38	17.30
Jan	17.09	17.15	17.20	17.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5275	5357	5340	5265
May	5056	5133	5120	5040
Jun	4890	4954	4950	4880
Jul	4825	4892	4860	4820
Aug	4865	4892	4880	4865
Sep	4930	4947	4940	4930
Oct	5000	5002	0	0
Nov	5035	5057	0	0
Dec	5100	5112	5100	5100

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1424	1466	1442	1412
Jul	1362	1391	1372	1359
Sep	1348	1371	1360	1340
Dec	1346	1371	1357	1343
May	1341	1355	1354	1345
Jul	1362	1391	1372	1369

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.13	137.25	137.25	135.50
May	132.16	133.51	134.35	132.00
Jul	126.25	127.72	128.35	126.12
Sep	121.73	123.01	123.40	121.60
Dec	118.62	119.51	120.00	118.50
Mar	117.88	118.00	119.00	119.00
May	116.63	118.75	0	0
Jul	116.38	116.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	12.49	12.31	12.63	12.14
Jul	12.41	12.32	12.42	12.15
Oct	12.20	12.12	12.20	11.97
Jan	11.65	11.64	0	0
Mar	11.81	11.71	11.83	11.61
May	11.71	11.56	11.71	11.59
Jul	11.58	11.53	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Apr	60.25	60.85	0	0
May	61.78	61.97	62.75	61.50
Jul	63.00	62.98	63.75	62.80
Oct	63.78	64.03	64.70	63.55
Dec	63.65	64.23	64.75	63.45
Mar	64.10	64.68	65.00	64.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	149.30	149.05	149.40	147.80
Jul	144.05	147.80	148.95	147.80
Sep	148.75	148.10	148.75	147.50
Nov	146.10	144.45	145.75	145.00
Jan	145.15	144.50	144.50	144.50
May	144.05	144.10	0	0
Jul	144.10	144.10	0	0
Sep	44.55	0	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	776/6	769/0	778/0	768/0
May	790/2	783/4	792/4	780/0
Jul	800/4	793/0	802/0	789/4
Aug	798/2	787/6	798/4	786/0
Sep	772/2	769/0	775/0	768/0
Nov	757/4	753/0	760/4	749/4
Jan	765/2	758/4	767/0	757/0
Mar	772/6	770/0	774/0	767/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	23.26	23.17	23.30	23.02
May	23.65	23.54	23.70	23.42
Jul	24.27	24.15	24.30	24.01
Aug	24.55	24.45	24.62	24.40
Sep	24.80	24.72	24.90	24.70
Oct	24.95	24.85	24.95	24.75
Dec	25.27	25.15	25.30	25.00
Jan	25.30	25.15	25.25	25.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	245.6	243.6	245.8	242.0
May	243.9	242.2	244.5	241.3
Jul	242.2	240.5	242.7	239.5
Aug	240.2	238.5	241.0	238.0
Sep	235.7	234.5	236.0	234.0
Oct	231.0	229.0	231.0	228.0
Dec	228.5	227.7	229.5	226.5
Jan	228.0	226.0	228.0	228.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	279/2	278/2	280/0	277/0
May	283/6	282/2	284/2	281/4
Jul	287/4	286/2	288/4	286/4
Sep	279/2	277/4	280/2	277/0
Dec	276/6	275/0	277/6	273/6
Mar	283/4	281/4	283/6	280/2
May	285/2	283/4	286/0	284/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	429/2	434/0	451/0	436/0
May	432/2	440/4	439/0	432/0
Jul	412/2	419/6	417/4	411/0
Sep	419/6	427/2	424/6	419/4
Dec	430/4	437/6	436/4	430/0
Mar	434/0	439/6	438/4	434/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.57	78.05	78.67	78.12
Jun	74.27	73.92	74.35	73.97
Aug	71.65	71.65	71.85	71.55
Sep	71.80	72.10	0	71.80
Oct	71.47	71.35	71.70	71.37
Dec	72.82	72.57	72.90	72.57
Feb	72.92	72.70	73.00	72.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	42.62	42.72	42.95	42.32
Jun	47.82	47.77	48.00	47.40
Jul	47.97	48.00	48.10	47.82
Aug	47.10	47.27	47.30	46.80
Oct	44.25	44.27	44.30	43.95
Dec	46.15	45.90	46.30	45.70
Feb	46.10	45.90	46.10	45.75
Apr	44.90	44.90	44.90	44.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	37.62	36.95	37.75	36.75
May	38.30	38.17	38.50	37.90
Jul	38.72	38.62	39.00	38.57
Aug	37.90	37.77	38.20	37.60
Feb	52.50	52.45	52.60	52.10
Mar	51.00	51.00	0	0
May	52.25	52.25	0	0
Jul	52.75	52.75	0	0

UK COMPANY NEWS

Margins rise puts IMI over £100m

By Richard Tomkins, Midlands Correspondent

IMI, the Birmingham-based diversified industrial group, was in buoyant form yesterday as it unveiled its first pre-tax profit to exceed £100m.

The total for 1988 was £106.1m, an increase of 17.1 per cent over the previous year's £92.3m. Earnings per share rose by a slightly lower 15.6 per cent, from 19.2p to 22.2p, because of an increased tax charge.

A large proportion of the profits increase was again attributable to a IMI's climbing profit margin. Turnover rose by less than 5 per cent, from £860.8 to £902.5, but the pre-tax margin rose from 10.7 per cent to 12 per cent.

Mr Gary Allen, managing director, said the current year had opened with good order book and he was confident that a combination of new products, new ideas and further reductions in the cost base offered scope for continued improvements in the profit margin.

A final dividend of 5p is recommended, making 8.15p (7p) for the year.

Over the last few years IMI has re-orientated itself from a traditional metal-bashing group to a company specialising in building products, drink dispensing equipment and fluid control products.

The out-going non-executive chairman, Sir Robert Clark, said the £100m milestone had been reached through sound and innovative management that had effectively changed the structure and direction of the company.

Mr Allen said the 1988 profits increase had been achieved against a background of a rising pound, rising interest rates and volatile metal prices, particularly for copper.

Rising raw material costs had absorbed £30m in working capital, £35m had been invested in plant and equipment, and £53m had been spent on acquisitions, but strong cashflow had kept net borrowings at 14.5 per cent of shareholders' funds, against 7.9 per cent last year.

Building products had an outstanding year in spite of the mild 1988 winter. The introduction of lead-free copper fittings had proved highly successful.

The drinks dispense division continued to expand in Europe while new products were being developed in the US, particularly frozen carbonated beverage machines.

Pneumatics enjoyed buoyant markets around the world and had been expanded through the acquisition of six businesses during the year.

● COMMENT

Last December IMI's shares slumped to 168p on fears that managing director Mr Gary Allen's strategy had come unstuck: that rising interest rates would undermine building product sales and, hence, group profits. Not for the first time, however, IMI has confounded the pessimists with its ability to produce a seemingly inexorable increase in margins that amply compensates for the group's relatively sluggish increases in sales. Each successive result wins further praise for the group's achievements, yet confidence in the future remains elusive: the rating - a multiple of 9 on forecasts of £124m for the current year - remains stubbornly stuck at a discount to the industrial group. That seems harsh: the day will come when margin improvements become hard to sustain at the present rate, but it is probably not yet.

PROFIT AND TURNOVER BY SECTOR (£m)

	1988 Turnover	1988 Profit	1987 Turnover	1987 Profit
Building products	208	22.9	205	20.8
Drinks dispense	157	19.7	151	17.2
Fluid control	222	33.8	203	29.1
Refined and wrought metals	238	18.2	212	13.5
Special engineering (and other activities)	173	16.6	160	17.4
	998	111.2	931	98.0
Turnover and pre-tax profits*	903	106.1	891	92.3

* Figures exclude intra-group sales, income from fixed investments, net interest payable and items not attributable to specific classes of business.

Brent Chemicals rises 23% to top £11m

By Vanessa Houlder

BRENT CHEMICALS, the diversified speciality chemicals group, yesterday announced a 23 per cent increase in pre-tax profits from £9.11m to £11.22m for 1988.

Turnover increased by 12 per cent from £70.57m to £79.01m. Organic growth and acquisitions accounted for 11 per cent and 6 per cent of growth respectively, offset by a 2 per cent reduction from disposals and a 3 per cent reduction from exchange rates.

Mr Steve Cuthbert, chief executive, said that over half the group's total sales were to the electronics, packaging and aerospace industries, which were expected to power growth to the end of the century.

Mr Cuthbert announced the sale of Blancomme Brent, the troubled French inks operation acquired two years ago. An extraordinary item of £268,000 resulted from the costs and losses arising from the disposal.

After raising £12m from a preference share issue last August, interest charges dropped from £194,000 to £7,000.

Earnings per share rose from 11.5p to 12.8p. A final dividend of 4.75p was proposed, making a total of 6p (5.2p).

● COMMENT

Analysts were agreeably surprised by these results which benefited from firm demand and a round of price rises in the last couple of months of the year. Margins have risen in the second half to break through the management's 15 per cent target and, furthermore, the shape of the group is increasingly conforming to the management's goals. The results, however, caused little excitement and the shares shed 1p to 143p. After its rather lacklustre performance in 1987, the company no longer has a particularly dynamic image. Even listeria hysteria — which should provide a small but significant benefit to its food hygiene business — has failed to give the shares much of a fillip. Moreover, the takeover speculation, which sporadically breathes life into the share price, is not, at present, given much credence. Accordingly, the shares seem unlikely to stray far from their current p/e of 10.5.

Bredero advances 38% to £5.12m

By Paul Cheeseright, Property Correspondent

BREDERO PROPERTIES, the development group which specialises in town-centre retail centres, lifted pre-tax profits 38 per cent to £5.12m for the year to December 31 and increased its net assets 18 per cent to £37.58m during 1988.

The announcement yesterday left the market unimpressed. The property sector was dull and Bredero shares rose 1p to 247p.

Despite growing difficulties in the retail sector, Bredero expects profits growth to continue during the current year.

Although it has found that major department stores are becoming more selective in their expansion and that high-street multiples are cautious about taking more space, Bredero has anchor tenants for all its main developments.

Earnings per share climbed to 19p (15p). The proposed final dividend of 4p brings total payments for the year to 6p (5p). The main beneficiary is Slough Estates, which holds 52 per cent of the Bredero equity.

Bredero's earnings have been dominated by the revenue of £4.8m from its commercial developments.

P&O buys Spring Grove for £82.5m

By Kevin Brown, Transport Correspondent

THE PENINSULAR and Oriental Steam Navigation added spice to the disclosure of its annual results yesterday by announcing the acquisition of Spring Grove Services for £82.5m from Henlys, the Canadian associate of ADT, the international services group.

Spring Grove's main activity is the provision of services, including renting and cleaning working clothes, for which it operates a national collection and distribution service.

P&O said Spring Grove had pre-tax profits of £8m in 1988 and net assets of some £25m at the year-end.

The acquisition is a major development for P&O's subsidiary, Sutcliffe Catering Group, the third largest staff contract catering company in the UK, which provides catering and allied industrial services to a wide range of markets.

Sir Jeffrey Sterling, P&O chairman, said Sutcliffe would benefit from the increased marketing activities offered by Spring Grove's 30,000 business customers. He added that the acquisition was a major expansion of the group's activities in the rapidly growing market for industrial services.

Analysts said Spring Grove would strengthen Sutcliffe's position as a major provider of industrial services by adding to its existing strength in contract catering, vending and security services.

The consideration is to be satisfied by the issue of 11.9m nominal of new P&O deferred stock at a price of 650p per £1 nominal of deferred stock, with the balance in cash.

Banner raises Transcontinental stake to 56.5%

By Clay Harris

Banner Industries, the US engineering company which was outbid for the Avdel industrial fasteners group, has raised its stake in Transcontinental Services Group to 56.5 per cent, triggering a full offer which values the Curacao-registered and London-listed investment company at £83m.

Banner is offering 256p for each Transcontinental share, the same price as it paid for the latest 8.83 per cent holding it bought from CDFC Trust.

The announcement was made after Transcontinental shares had closed unchanged at 235p.

At the end of 1987, Banner agreed that if its holding exceeded 50 per cent it would make an offer at the highest price paid within the latest 12 months or, if higher, at 85 per cent of net asset value. Transcontinental's latest published nav, at December 31 1988, was 263p.

A & C Black higher

A & C Black, publisher, raised pre-tax profits by 7 per cent from £617,000 to £663,000 in 1988, on turnover 9 per cent higher at £5.14m, against £4.71m previously.

Tax took £243,000 (£202,000) and earnings per 25p share were 31.1p (30.9p) before an extraordinary debit of £10,000 (£36,000 credit). The directors recommend a final dividend of 8.5p for a total of 12.5p (12p).

Trafford Park

Pre-tax profits of Trafford Park Estates rose 9 per cent from £1.6m to 1.74m in the six months to December 31 1988. Gross income was marginally lower at £3.48m, compared with £3.5m.

The interim dividend is raised from 1.55p to 1.7p from earnings of 3.82p (3.4p); tax took £461,000 (£442,000).

Automotive division helps lift Lucas 37% to £72.4m halfway

By Vanessa Houlder

A STRONG improvement in Lucas Industries' automotive and industrial profits, offset by a fall in the aerospace division, resulted in a 37 per cent rise in pre-tax profits for the six months to January 31.

The taxable result, which was in the middle of the range of analysts' forecasts, increased from £53m to £72.4m on turnover of £1.03bn (£975.9m), up 6 per cent.

Sales by UK companies were unchanged at £499m, although direct exports rose by 6 per cent to £169m. UK operating profit rose by 15 per cent to £40.5m. Overseas, operating profits rose 21 per cent to £36.4m, on sales, up 12 per cent to £533m.

Operating profit in the aerospace division fell by 14 per cent to £17.9m, on sales down 1 per cent to £258m. The profits downturn was due to £3.8m of redundancy costs, price pressures and high initial costs of new projects in the UK.

Two loss-making operations at Burnley, have been sold and the operating performance was strongly improving, said Mr Tony Gill, chairman.

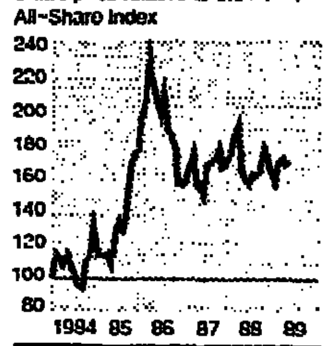
Profits of the automotive division increased by 34 per cent to £51.2m. Mr Gill said that there was no sign yet of the forecast downturn in the industry.

The industrial division posted a 28 per cent increase in profits to £7.8m, reflecting an improved performance by the North American businesses.

The £163m rights issue last May resulted in a cut in interest charges from £12.2m to £4.5m. The increased share capital scaled down the increase in fully diluted earnings per share, which rose 7.9 per cent to 30.1p (27.9p). A 17 per cent rise in the interim dividend to 7p (6p) was declared.

Lucas Industries

Share price relative to the FT-A All-Share Index



● COMMENT

There is no shortage of reasons, it seems, to explain why Lucas' shares languish at a 30 per cent discount to the market. The City has not wholly forgiven the company for its unpopular £163m rights issue a year ago, much of which is still sitting in the company's coffers. Its heavy exposure to the car market remains a severe handicap, although its efforts to broaden its customer base and move away from commodity items should partially protect it in the event of the much-forecast downturn. And although the strategy of building up the non-automotive businesses is viewed as sound, the full benefits of the North American acquisitions are not yet apparent. That said, there appears to be little downside to the shares at their current price of 628p, down 11p on the day. Lucas has spent a fortune on rationalisation and improving efficiency and the company should now start to reap the rewards. Furthermore, sentiment could well shift once the benefits of its acquisition programme starts coming through. Analysts predict pre-tax profits of £165m for the full year, which puts the shares on a p/e of 8.

R&T stake for German builder

By Philip Coggan

HOCHTIEF, the West German construction group, has acquired a stake of up to 22.9 per cent in Rush & Tompkins, the UK development and contracting company.

The friendly purchase is designed to give R&T a strong continental partner in advance of the creation of the single European market in 1992. And, following the recent purchase of a 14.9 per cent stake by Singapore Land, it makes a hostile bid for R&T look very unlikely.

Hochtief has acquired 2.9m ordinary shares (17.9 per cent of the equity), plus 3.52m convertible preference shares which, on conversion, could increase its stake to 22.9 per cent.

The shares have been acquired from Govett Strategic Investment Trust, which no longer has an interest.

The German company has agreed not to dispose of its shares for five years, or increase its stake above 29.9 per cent in that period (except in the event of a bid). A Hochtief representative will join the R&T board.

The two companies will collaborate on construction projects in Europe. R&T is expected to add its development expertise, whereas Hochtief gives R&T a strong commercial partner on the continent.

Hochtief reported declining pre-tax profits in 1986 and 1987 and reported, after nine months of 1988, that it had seen no appreciable rise in profitability that year. Its 1987 profits were DM 51.3m (£15.97m) on work executed of DM 4.7bn.

Hochtief said: "Rush & Tompkins' partnership approach as a contractor developer can be expanded considerably in Europe and we can help. That is why we have become a major long-term shareholder."

R&T shares closed up 5p at 400p yesterday.

Edinburgh onshore plan

EDINBURGH Oil and Gas, the USM-quoted exploration company, is continuing to develop and expand its UK onshore interests, and where possible to act as operator for its own exploration prospects the directors stated.

This year the company is planning to drill three onshore wells in the Solway Basin, Fife and Staffordshire. The Solway is the first for which the company is to act as operator, directors explained.

The company also expects further drilling on the offshore blocks in which it has net production interests.

In 1988, the company reduced its pre-tax loss to £96,000 from the previous £290,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbeycrest ....fin	1.8	May 4	0.9	2.7	2
Black (A & C) ....fin	8.5	-	8.25	12.5	12
Booker ....fin	12†	July 3	10.6	18	16
Bredero ....fin	4	May 30	3.3	6	5
Brent Chemicals ....fin	4.75	-	4.1	6	5.2
BSR Intl ....fin	2.35	-	2.35	3.05	3
Budgens ....int	2♠	Jul 7	2	4	3.5
Business Tech § ....fin	1.75	-	1	3	1☆
Cambridge Elect ....fin	6.7†	May 16	6.1	9.35	8.5
Clayform Props ....fin	6.4	May 11	5.7	9.5	8.5
Colorgraphic § ....fin	4.05	-	3.17	5.71	4.5
Domestic & Genl§ ....int	2.75	May 10	-	-	2
EBC Group ....fin	5.4	-	4.78	9	7
European Home ....fin	3.5	May 15	3	6	5
Evans Halshaw ....fin	7†	May 16	5	10	7
Halstead (James) ....int	3.75	June 1	3.25	-	8.25
IMI ....fin	5	-	4.25	8.15	7
Lilleshall ....fin	2.5	June 1	1.125*	3.5	1.5*
Lilley (FJC) ....fin	1	May 26	nil	1.5	nil
Lucas Inds ....int	7	June 13	6	-	21
Memec ....fin	3.8	May 19	3	5.2	4.125
Metalrax Group ....fin	2.6†	June 2	2*	3.48	2.727*
Myson Group ....fin	3.95	-	3.4	6.25	5.4
P & O ....fin	15	-	13	25.5	22
Rugby Group ....fin	2.9	May 19	2.375*	5.2	4.25*
Rutland Trust ....fin	0.42†	May 15	0.14	0.63	0.24
Savage Group § ....int	1.5†	May 22	1	-	3
Scott Robertson ....fin	3.8†	June 9	3	5	4
Seacon ....fin	1.5	-	-	2.5	-
Trafford Park ....int	1.7	-	1.55	-	4.7
Wilson Bowden ....fin	4.72	May 24	2.9	6.72	4.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ☆For six months. ♠Second interim for 70 weeks to end-April

Bid for GrandMet subsidiary

By Lisa Wood

MECCA LEISURE and Trafalgar House have joined up to make a joint bid for Grand Metropolitan's London Clubs subsidiary which was put up for sale last month.

GrandMet said yesterday that it could not comment on individual bids but said there were three or four interested parties.

Mecca and Trafalgar are understood to have got together in an attempt to overcome any monopoly problems arising from the fact that Mecca already owns a number of casinos.

GrandMet also declined to comment on speculation that it had held informal talks with Elders IXL, owner of Courage, with a view to forging a closer trading relationship between their respective beer divisions.

Mr Allen Sheppard, GrandMet chairman, regularly meets Mr John Elliott, chairman of Elders IXL, on an informal basis. GrandMet brews Elders' Foster's lager under licence

However, GrandMet is understood not to have any plans at present to sell its brewing division although its long-term strategy could obviously be affected by the imminent report of the Monopolies and Mergers Commission on the British brewing industry.

Mr Elliott is currently awaiting an MMC investigation into his £1.6bn bid for Scottish & Newcastle Breweries, so any speculation concerning GrandMet's brewing interests could be posturing by interested parties.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Provident Mutual Unit Tst Mgrs Ltd (0905)H

25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Gth	5	117.6	120.0xd	127.6	-1.7	2.80
PM Income & Gth	5	104.2	106.0xd	112.7	-1.1	4.65
PM Nth Amer Gth	5	47.22	47.22	50.23	-0.47	1.50
PM European Gth	5	47.49	47.49	50.52	-0.2	0.88
PM Japan Gth	5	74.26	74.39	79.13	-0.94	0.31
PM Overseas Gth	5	48.19	48.19	51.26	-0.59	0.51

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا اصه الأصل

LONDON STOCK EXCHANGE

US inflation worry hits share prices

UK EQUITIES suffered a further setback yesterday as investors focussed their concerns over inflation on the other side of the Atlantic, drawing no comfort from the favourable trend of the latest domestic money supply statistics. Share prices lost around another 20 FT-SE points, closing near their lows when Wall Street opened on the downside as both markets awaited today's announcement of the latest Federal data on consumer prices.

The market's failure to rally at mid-morning, despite a fall of 0.6 per cent in February MO money supply and a rise of only £4.7bn in bank and building society lending – both better than expected – underlined the concern over prospects for US inflation and interest rates sparked by Friday's news of a sharp rise in US producer prices.

Account Dealing Dates		
First Dealings:		
Mar 13	Apr 3	Apr 13
Option Declarations:		
Mar 30	Apr 13	May 4
Last Dealings:		
Mar 31	Apr 14	May 5
Account Day:		
Apr 10	Apr 24	May 15

*New time dealings may take place from 9.00 am two business days earlier

The market tried to open higher despite general apprehension that Wall Street might extend Friday's losses. Early gains soon proved unsupported, however, and with the exception of the energy sector where the leading stocks continued their strong advance, equities renewed their downward drift.

Selling pressure was light, but potential buyers have withdrawn pending further indication of the trends in global interest rates and inflation.

The FT-SE Index, down nearly 22 points as the UK money supply data was absorbed, ended the day with a net loss of 19.5 at 2053.6. Seaq volume of 384.6m shares, against Friday's 537.3m, confirmed the lack of pressure in the market. Traders said that Friday's late setback also reflected more marking down operations by market makers than selling by investors.

This week will bring a batch of important statistics from both sides of the Atlantic, including data on US GNP and personal income, but also the UK Retail Price Index, due on Thursday.

Yesterday's money supply figures suggested that "domestically there is no call for higher interest rates at all," commented Mr John Reynolds, economist at Prudential-Bache. International factors are the key to the equity market at present, he commented, and UK markets will be particularly concerned if higher interest rates in the US put pressure on sterling.

Equities were clearly in a nervous mood, and over-reacted to a small (£77m) placing of shares in P&O, the shipping and property group. Consolidated Gold Fields eased after disclosure that Minorco obtained a mere 0.2 per cent acceptance for its second bid, and despite the market's firm belief that a further, higher offer is inevitable.

A strong energy sector responded favourably to the new pricing schedule for British Gas set by the UK Monopolies and Mergers Commission.

FINANCIAL TIMES STOCK INDICES

	Mar 20	Mar 17	Mar 16	Mar 15	Mar 14	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.98	88.29	88.81	88.78	88.85	90.14	89.29 (8/2)	86.65 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.20	98.23	98.44	98.59	98.29	97.28	98.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1690.9	1705.5	1740.1	1754.3	1761.1	1482.7	1761.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	194.8	193.0	194.2	194.8	192.2	242.3	194.8 (20/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Mar 20	Mar 17	Mar 16	Mar 15	Mar 14	Year Ago
Ord. Div. Yield	4.53	4.48	4.39	4.36	4.33	4.44
Earning Yld %(full)	11.00	10.89	10.68	10.59	10.53	11.29
P/E Ratio(Net)(☆)	10.97	11.09	11.31	11.40	11.46	10.80
SEAQ Bargains(5pm)	29,118	29,913	30,634	31,355	32,994	31,558
Equity Turnover(£m)†	-	1358.92	1458.59	1251.02	1230.32	915.11
Equity Bargains†	-	33,126	36,494	35,939	39,583	37,922
Shares Traded (ml)†	-	499.7	544.0	511.2	564.9	419.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1701.8	1696.7	1689.7	1689.5	1690.0	1687.1	1688.1	1694.5

DAY'S HIGH 1705.1 DAY'S LOW 1687.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.90 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Mar 17	Mar 16
Gilt Edged Bargains	109.2	101.8
Equity Bargains	214.8	236.4
Equity Value	2746.7	2946.2
5-Day average		
Gilt Edged Bargains	102.8	101.8
Equity Bargains	235.9	245.7
Equity Value	2579.4	2605.1

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Investors focus on Gas

British Gas shares outperformed most alpha stocks after the company revealed that the impact on profits of the newly published schedule of fixed prices for industrial users of gas would be much less than some analysts had been forecasting.

British Gas said the alterations to its prices, as required by the Monopolies and Mergers Commission were likely to reduce pre-tax profits in 1989-90 by at least £75m.

This figure came as a pleasant surprise to the stock market where some of the more bearish analysts had been forecasting an impact on profits of up to £200m.

Mr. Jeremy Hudson, one of the oil team at Shearson Lehman Hutton, said there was, "an element of relief in the numbers given by British Gas but we shall have to wait and see the reaction from Gas's customers. Estimates of the subsequent impact on profits are pure guesswork." Shearson is telling clients to redeploy funds from British Gas into the majors.

British Gas's share price, moving against the overall trend in the market, touched 184p during early trading, but later ran back to close only a fraction better at 179½p. Turnover came out at 11m shares, well up on normal levels of activity in the stock.

The FT-SE Index Steering Committee decided yesterday on four deletions from the Footsie index - Storehouse, British & Commonwealth, Coats Viyella and Amstrad. The four replacement constituents will be Carlton Communications, BICC, Taylor Woodrow and Harrisons & Crosfield. The committee acknowledged that Eurotunnel was big enough for inclusion, but was ineligible under current ground rules. The changes will apply on completion of the current quarter.

Surprise placing

The eagerly awaited trading statement from P&O fulfilled all but the most optimistic expectations yesterday with annual profits up to £316.6m from last year's £274.7m. The group also made a generous dividend payment and spiced the announcement with a property revaluation surplus of £122.8m.

However, the market was surprised by slightly later news that the shipping to property concern intended to acquire Spring Grove Services for £82.5m from Henlys, and that the deal would invlove the placing of 11.9m shares at 650p. P&O's brokers placed the shares easily with institutional clients but this failed to impress marketmakers. They assumed that would-be buyers had now been satisfied and immediately went on the defensive.

To protect their trading positions on another bad day for the market generally they lowered prices and the shares dropped to 663p before steadying to close 19 down on the session at 666p after volume of 1.7m shares.

Bid talk persists

GKN weakened amid continued talk of a rights issue to raise funds to buy Westland, in which the company has a 22 per cent stake. At least one analyst became convinced that the cash call was imminent. The logic for a rapid move is that the company's excellent results on March 8 have helped hike the shares, giving the company scope to set a good rights issue price. The shares lost 10½ more to 361½p. Westland shaded slightly to 151p. "The bid is already discounted in the price," said the analyst.

Analysts conceded that Westland's recent decision to sever the brokerage link with Warburg Securities, which also advises GKN, was what it looked like: a preface to the takeover move. One said that GKN would need about £150m to buy the rest of Westland. "The gearing is about 33 per cent now and the market would accommodate 50 per cent, but that would not be enough to buy Westland," he said.

Among stocks with household interests, Beecham (572p), Fisons (277p) and Smith and Nephew (137p) held firm against the trend. Trading was brisk in all three on the back of institutional buying.

The firm belief among traders that the MMC's two reports, one on the tied house system and one on the Elders IXL bid for Scottish & Newcastle (S&N), will be published today left Brewers mixed in moderate trading. The talk in the market was that the Elders' bid will be cleared at 9.00am and the industry report – expected to recommend some form of loosening of the tie between breweries and their public houses – will be released after 3.00pm following a statement by Lord Young.

Subsequently, S&N climbed 4 to 418p, although there are a growing number in the market who believe Elders might drop its offer for S&N even if it is given the go-ahead by the MMC, and instead turn its attentions to the brewing interests of Grand Metropolitan (543p), which are widely thought to be up for sale.

Bass eased 7 to 927p, after 923p, while Whitbread "A" added 2 at 346p and Guinness a penny at 417p.

Building issues included a handful of firm features, among which Rugby stood out with a rise of 2 to 175p after revealing preliminary profits of £72.64m at the top end of market expecations. Analysts were quick to increase their forecasts for next year with figures in excess of £90m said to be the general consensus.

EBC also pleased the market with a 72 per cent profits jump and a proposed scrip issue. The news boosted the shares 9 to 200p.

Stores held up well against the market trend, with dealers reporting sentiment buoyed by selected bid speculation and afeeling that the sector has been oversold of late. Storehouse were again the central feature as the shares climbed 2 to 175p on turnover of 2.3m on the growing belief that a consortium bid arranged by Mr Asher Edelman, the US arbitrageur, will be launched soon.

Another bid favourite, Dixons, also put in a resilient performance, closing steady at 189p as 2.5m shares changed hands. Marks & Spencer were also firmer at 169½p. Among second liners to end better were Sock Shop, which recovered from last week's tribulations with a gain of 10 to 123p, and clothing supplier I J Dewhirst, which rose 4½ to 48½p on the back of a strong tip in the weekend press.

Retailers with diy interests were noticeably weaker on talk in early trading that a price war was about to be launched; Kingfisher (Woolworth as was) fell 3 to 269p, W H Smith 4 to 284p, and Ward White 8 to 267p.

The electronics issues went lower with the rest of the market. The fiercest action was seen in recent high-flyer Racal Electronics where the shares dropped 10 to 370p on turnover of almost 7m. Talk in the market suggested a substantial profits downgrading to £165m from above the £180m mark by Smith New Court, one of the leading UK securities houses; "Not so," said Mr Tim Hurst at Smith. "We are sticking to our forecast of around £180m and still regard Racal Electronics as attractive." Racal Telecom were also unsettled, retreating 6 to 316p.

Cable & Wireless, hit recently by a number of profits downgradings, fell 9 to 451p on 2.8m.

BSR were a weak market, dropping to 58p before rallying to close a net 4 off at 61p after disappointing preliminary figures and the deal with Emerson Electric, the US group, whereby the latter will take a 45 per cent stake in BSR after injecting its power company assets into the group. These are valued at £87.5m. "In effect, this is a reverse takeover by a highly successful US group," said one trader in BSR.

Pentland Industries moved ahead 2 to 99p as US group Reebok, where the company has a 32 per cent stake, improved in New York on heavy trading amid further talk of a leveraged buyout. Pentland's price was initially underpinned by talk that Reebok had been suspended (they were not), and by speculation that securities house First Boston were preparing a valuation of the company which would raise the value of Pentland's interest.

IMI posted a 17 per cent profits improvement, a little ahead of market expectations, but the shares slipped 3 to 228p. "Volume was thin and on another day it would have risen well," said a marketmaker.

A couple of buyers in a thin market helped Walker and Staff jump 20 to 170p, while a bullish newsletter item helped John Williams add 4 to 53p. "The stocks seems to be tipped on a weekly basis," said a marketmaker.

Turnover in Cadbury Schweppes (down 8 at 338p) was high at 4.8m shares after broking house Hoare Govett put through (at 335p) 1.5m of the 5.7m shares left with the sub-underwriters of the Bassett Foods takeover issue. Hoare said the stock was "easily" placed and suggested that the underwriters' decision to hang on to the remaining 4.2m shares was bullish for Cadbury. Bassett closed 10 lighter at 545p.

Booker shed 2 to 439p after reporting a 23 per cent rise in final profits to £78.7m, while retailer Budgens slipped 4 to 118p on news of a slight fall in pre-tax year-end earnings to just over £13m. Talk of who might pay around £200m for Cadbury management buy-out product Premier Brands included Ranks Hovis McDougall, Dalgety, and Hillsdown. All closed 3 easier at 380p, 349p and 278p respectively.

Company trading statements were irrelevant in a market nervous about the short-term trend yesterday. Lucas Industries revealed interim profits some 37 per cent higher at £72.4m and still fell 11 to 628p while distributor Evans Halshaw produced an even better result – annual earnings rose 56 per cent to £10m – and eased to 336p.

Bunzl went the way of most stocks, losing 6 to 164p, awaiting today's preliminary figures. Mr Graham Kemp of Citicorp Scrimgeour Vickers is looking for profits of around £96.5m (£85.7m) and expects the shares to continue the outperformance from a very low relative rating because of accelerating earnings growth and reduced gearing.

Further positive recommendations from broking houses failed to support WPP, which fell 21 to 714p. Saatchi & Saatchi weakened 10 more to 380p but Fitch-RS moved against the trend, rising 7 to 352p on favourable comment in front of the annual results.

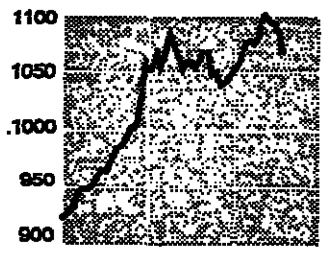
The oil sector was slightly easier, although tending to outperform the overall market, dealers said. The easier trend in crude oil prices and minor profit-taking lowered BP "old" 4¼ to 289p on turnover of 5.2m, while the "new" were 4 down at 189p on 2.7m. Shell ran back 5¼ to 385½p on 4.4m.

Some keen interest developed in Enterprise Oil, which were quoted "ex" the £570m rights issue undertaken to help pay for the acquisition of the overseas assets of America's Texas Eastern. Marginally easier at the outset, the shares came under additional selling pressure during the morning when it became known that Elf Aquitaine, the French State-owned oil group, had made a near $1bn bid for Pennwalt Corporation, the Pennsylvania-based chemicals and pharmaceuticals group already under assault from Centaur Partners.

This news depressed Enterprise's share price to 547p, ex-rights, a net decline of 4. Elf currently holds a pre-rights issue 25.2 per cent stake in Enterprise and there have been strong hints that the French group may move in to the market to top up its stake and eventually bid for the company.

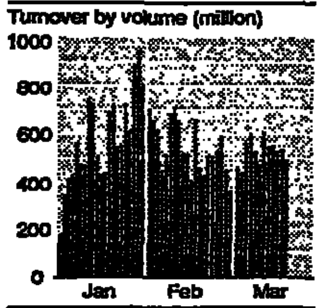
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1988/89

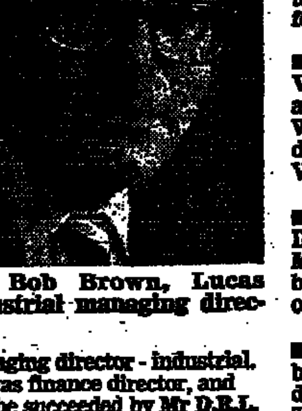
NEW HIGHS (71).
BRITISH FUNDS (1) Treas. 9pc 1989. AMERICANS (6) Bankers N.Y., California Engy., Chemical Banking Corpn., Citicorp, Cons. TVX Min. Crp., Echo Bay Mines, Energex Minerals, Manuf. Hanover, Morgan (JP), Trans. Can. Pipe., CANADIANS (4) BANKS (1) Wells Fargo, BUILDINGS (6) Arncliffe, EBC, Hay & Croft, Severfield-Reeve, Ward Grp., STORES (3) Clinton Cards, Dewhirst (I.J.), ELECTRICALS (3) INSTEM, Microfilm Reprographics, Oceonics, ENGINEERING (4) BM Group, Chamberlin & Hill, Garton Eng., Molins, FOODS (1) Batleys, INDUSTRIALS (7) Barry Wehmiller, Brooks Service, Cosalt, Lilleshall, Macfarlane Gp., Pentland, Silentnight, INSURANCE (2) Dom. & Gen. Grp., Trade Indemnity, LEISURE (1) Castle comms., MOTORS (1) ERF Hldgs., NEWSPAPERS (1) Gardner (D.C.), PAPERS (3) Aspen Comms., Ogilvy Group, Shandwick, PROPERTY (3) Bredero Props., Densora, SOUTH AFRICANS (3) Barlow Rand, SA Brews, SASOL, TRUSTS (6) Frost Group, Gen. Cons. Inv. Tst. Inc., Korea Europe, M & G 2nd Dual Inc., Rutland Trust, OILS (1) TuskarRes., OVERSEAS TRADERS (1) Sime Darby, MINES (16) THIRD MARKET (1) Seacon.

NEW LOWS (28).
BRITISH FUNDS (1) Treas. 13% 1990. AMERICANS (3) Amdahl, IBM Corpn., Texas Instr., BANKS (2) Deutsche Bk., Mitsubishi Bank, STORES (2) Euro Home Prods., Pentos Group, ELECTRICALS (7) Apricot Comp., BSR Intl., Fujitsu, NEC Corpn., Sony Co., Systems Rlbty., TDK Corpn., INDUSTRIALS (3) Benson Group, Walker Greenbank, Wills Group, LEISURE (1) Kwik-Fit Hldgs., PAPERS (1) SPS Comm. Grp., PROPERTY (1) Bartows, TEXTILES (2) Alkins Bros., Leeds Grp., TRUSTS (2) Clayton Robard, L.I.T. Hldgs., MINES (2) Australis Mining, DRX Inc., Greenwich Res.

APPOINTMENTS

Industrial top post at Lucas

■ LUCAS INDUSTRIES has appointed Mr R. Brown as managing director - industrial. He was finance director, and will be succeeded by Mr D.R.L. Hankinson from April 10. Mr Hankinson was group finance director of the Rover Group.



Mr Bob Brown, Lucas industrial managing director

■ Mr Malcolm Ross has been appointed managing director of The Berni Restaurant Group, part of GRAND METROPOLITAN. For the past six months he has been business development director of Grand Metropolitan; previously he was managing director of Allied Bakeries' retail and catering division.

■ Mr Russell Biggart has been appointed national sales manager, marketing department, STANDARD LIFE, Edinburgh.

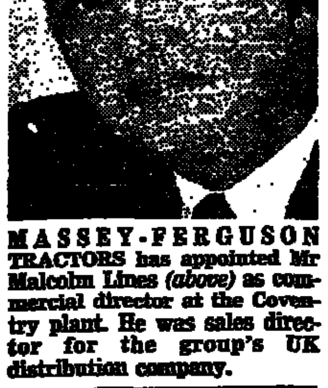
■ Mr Somerset Gibbs has been appointed a non-executive director of MANGANESE BRONZE HOLDINGS. He is a director of Smith New Court, the company's brokers, and of B. Elliott. Mr S.G. Leavesley has resigned from the board to concentrate on his role as foundries division head.

■ BPCC has appointed Mr Vernon Atkins as marketing and sales director of BPCC Waterlow. He was managing director of Hazell Watson and Viney.

■ SCOTTISH PROVIDENT INSTITUTION has appointed Mr James D.S. Bennett to the board. He is financial director of John Menzies.

■ Mrs Gillian Tugman has been appointed managing director of EXPO-SURE, Tunbridge Wells, conference and exhibition insurance brokers, UK division, Sedgwick Europe Group.

■ Mr Tony Velupillai has been promoted to development director of Gable House Estates, one of LADBROKE GROUP's four UK property companies. He was senior development executive.



MASSEY-FERGUSON TRACTORS has appointed Mr Malcolm Lines (above) as commercial director at the Coventry plant. He was sales director for the group's UK distribution company.

■ PARK FOOD GROUP has promoted Mr Ralph E. Ashton to managing director of subsidiary Everfresh Frozen Foods. He was general manager.

■ Mr James Dodd has been appointed a director, electronics sector, equity research department, KLEINWORT BENSON SECURITIES. He was a director - research with Citicorp Scrimgeour Vickers.

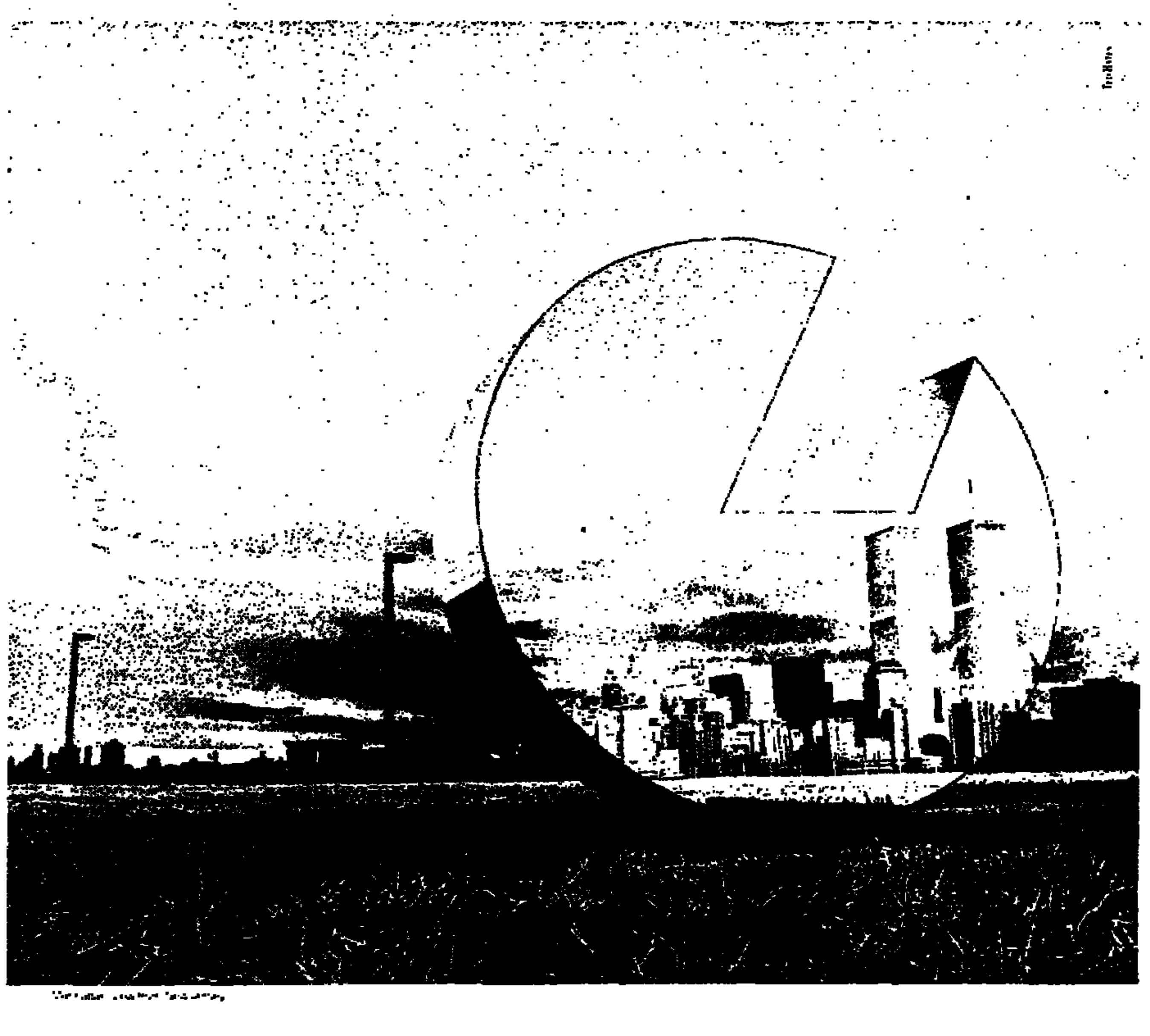
■ LAIDLAW GROUP, motor dealer subsidiary of Goode Durrant, has appointed Mr Brian McLean as chief executive from April 3. he succeeds Mr Mac Robertson, executive chairman, who retires on April 30 from the boards of both companies. Mr McLean was group managing director of Gilbert Rice, a Lex subsidiary.

■ Mr David Gardner, managing director, Norba Waste Handling Systems, has been promoted to an international post with the parent company PARTEK, Sweden. He becomes president of the logistics waste handling division. He will continue as a director of Multilift, and chairman of Norba, Ellesmere. He is succeeded as managing director of Norba W.H.S. by Mr Andrew Stones, who was financial director.

■ Mr Peter McGee has been appointed a director, responsible for design, at IDC, Stratford-upon-Avon. He has been with the company for 20 years.

■ Mr David Morphet has been appointed to the board of the CHILDREN'S FILM AND TELEVISION FOUNDATION. He is working in association with World Wide Pictures as a producer, and is chairman and managing director of Greenpark Productions.

■ CNA REINSURANCE OF LONDON has appointed Mr David Trace as managing director of finance and administration.



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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	297.1	312.8	—	—
Max Pens Inc & Cap Fds	391.1	411.7	—	—
Money Fund	117.7	123.9	—	—
Pens Mngd Fd (Init)	103.4	108.9	—	—
Pens Mngd Fd (Acc)	123.5	130.0	—	—
Pens FT30 Fd (Init)	147.5	155.3	—	—
Pens FT30 Fd (Acc)	176.2	185.5	—	—
Pens G'teed MgFd(Init)	73.4	77.3	—	—
Pens G'teed MgFd(Acc)	87.7	92.4	—	—
Pens Fxd Int Fd (Init)	105.3	110.9	—	—
Pens Fxd Int Fd (Acc)	125.7	132.4	—	—
Pens Deposit Fd (Init)	103.7	109.2	—	—
Pens Deposit Fd (Acc)	123.9	130.5	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	109.0	115.0	−1.0	—
Building Soc. Fd	168.0	177.0	—	—
Balanced	273.0	288.0	−1.0	—
Deposit	168.0	177.0	—	—
European	151.0	159.00	−1.0	—
GT Managed	173.0	183.0	−2.0	—
Gartmore Mngd	110.0	116.0	−1.0	—
German	103.0	109.0	−1.0	—
Gilt	176.0	186.0	−1.0	—
Global	48.0	51.0	—	—
High Inc	116.0	123.0	—	—
International Equity	178.0	188.0	−1.0	—
Japan	229.0	242.0	−4.0	—
Managed	62.0	66.0	−1.0	—
Property	276.0	291.0	—	—
R. W. Imperial Gold	131.0	138.0	—	—
UK Equity	371.0	391.0	−1.0	—
Pension Funds				
American	136.0	144.0	—	—
Building Soc. Fd	166.0	175.0	—	—
Balanced	214.0	226.0	—	—
Deposit	159.0	168.0	—	—
European	154.0	163.0	—	—
German	96.0	102.0	—	—
Gilts	149.0	157.0	—	—
International Equity	134.0	142.0	—	—
Japan	136.0	144.0	—	—
Managed	64.0	68.0	+1.0	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	534.1	562.3	−7.8	—
Equity	777.2	818.2	−14.9	—
Global Equity	214.1	225.4	−3.5	—
Fixed Interest	399.8	420.9	−1.2	—
Property	377.6	397.5	+0.3	—
Cash	152.0	160.1	+0.1	—
Index Linked Gilt	195.6	205.9	−0.4	—
Guaranteed	12.18		—	—
International Money	195.3	205.6	−0.1	—
North American	58.5	61.6	+0.1	—
Japanese	129.5	136.4	−1.2	—
European	79.8	84.1	−1.2	—
Special Situations	113.8	119.8	−1.5	—
Communications	94.2	99.2	−0.7	—
Smaller Companies	108.1	113.8	−0.9	—
International Small Cos	115.6	121.7	−1.0	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Mar 16	£149.60	154.80	—	—
Equity Mar 16	£166.36	172.32	—	—
International Mar 16	£23.55	24.30	—	—
Intl Bond Mar 16	£11.08	11.23	—	—
Fixed Int Mar 16	£71.79	72.75	—	—
Index Linked Mar 16	£60.82	61.99	—	—
Property Mar 16	£104.26	110.95	—	—
Cash Mar 16	£20.2730	20.2730	—	—
Pru-Linked Retirement Plan				
Managed Mar 15	372.3	387.9	—	—
Cash Mar 15	190.8	198.8	—	—
Prudential Pensions Investment Account				
Pens Mngd Mar 20	149.6	157.5	−3.5	—
Pens UK Eq Mar 20	289.4	304.7	−8.5	—
Pens Intl Mar 20	169.0	177.9	−2.3	—
Pens Fixed Mar 20	165.4	174.2	+0.1	—
Pens Index Lk Mar 20	154.6	162.8	+0.6	—
Pens Cash Mar 20	124.6	131.2	—	—

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9RS 01-538 8800

	Bid Price	Offer Price	+ or −	Yield Gross
Aggressive Pdflo Fd	115.2	121.2	−0.4	—

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

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Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

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GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

GUERNSEY (**)

JERSEY (**)

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83 Kingsway, London, WC2B 6SD 01-405 8331

Wright Seligman Fund Mngrs Ltd (1000)H
11 Bloomfield St, London EC2M 7AY 01-588 0592
Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

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Cent. Bd. of Fin. of Church of England††
2 Fore Street, London EC2Y 5AQ 01-588 1815

Charities Official Invest. Fund††
2 Fore Street, London EC2Y 5AQ 01-588 1815

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

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Abtrust Management Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citizens British National

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

City of Westminster Assurance (z)
PO Box 469, 580 Avebury Blvd, Milton Keynes MK9 2NU

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life
29 Glasshouse St., W1R 5RG

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ

Eagle Star Insur./Midland Assur.
60 St. Mary Axe, London EC3

Economic Insurance Company Ltd
London Rd, Sittingbourne, ME

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Friends' Provident

GT Management Ltd

General Accident Linked Life Assur(z)

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

The LAS Group

Growth & Sec. Life Assur. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Irish Life Assurance Co Plc—Contd.

Lancashire & Yorkshire Assur Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

M & G Life and M & G Pensions—Contd.

MGM Assurance(z)

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd
Milton Court, Dorking, Surrey

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Continued on next page

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BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

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FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

JERSEY (**)

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1988:106.6 and for January 1989:111.0

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down ahead of CPI

REPORTS OF dollar sales by the US Federal Reserve and the Bank of Canada weakened the currency in late European trading. It finished little changed on the day however, as the foreign exchanges waited to see if recent inflationary trends in the US economy are confirmed by today's consumer prices index. Speculation about higher US interest rates has followed Friday's news of a surprisingly sharp rise in February US producer prices.

Until last Friday analysts were looking for a rise of 0.4 per cent February consumer prices, but following the increase in producer prices, forecasts have been revised up to a rise of 0.5 per cent, taking the year-on-year inflation rate up to 5.0 per cent from 4.7 per cent.

The dollar's peak of DM1.8800 was touched after Mr Wayne Angell, a Federal Reserve Board Governor, warned of the dangers of rising inflation from a weaker dollar, but said the recent rise in inflation was a hiccough, caused by the final round of dollar depreciation on the second half of 1987. Speaking in Washington, Mr Angell added he does not favour a rise in the dollar either, because it will lead to exchange rate instability.

As reports circulated that the Fed and Bank of Canada had entered the market the dollar fell back to close at DM1.8750, compared with DM1.8760 on Friday. It declined to SFr1.6155 from SFr1.6165, and to FFr6.3475 from FFr6.3525.

The dollar also came back from a five-month high of Y132.25, to finish at Y131.70, but this was slightly above Friday's close of Y131.60, reflecting the present weakness of the Japanese yen.

The absence of the Bank of Japan, in recent co-ordinated central bank intervention, has encouraged buying of the dollar against the yen, at a time when other factors are also weighing against the Japanese currency.

Interest rate differentials have moved against Tokyo, while oil - a major item among Japan's imports - has become more expensive, and the Recruit share scandal continues to cause embarrassment for the Government.

On Bank of England figures, the dollar's index was unchanged at 68.3.

Sterling rallied during the morning from a weak start. It drifted down again towards the close, as speculation continued about rising international interest rates, but the latest economic data failed to indicate any immediate need for higher UK bank base rates.

A rise of £4.7bn in February M4 (bank and building society) lending was about £1bn lower than most City forecasts and well below the £8.6bn increase in January. There was also a slowdown in sterling M0 growth to an annualised 6.5 per cent from 8.1 per cent.

The pound fell 30 points to $1.7105. Sterling also declined to DM3.2075 from DM3.2150; to Y225.25 from Y225.50; to SFr2.7625 from SFr2.7700; and to FFr10.8575 from FFr10.8850. The pound's exchange rate index closed 0.2 lower at 96.1.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.20	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.20	Latest	Previous Close
[illegible]	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.20	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Mar.20	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Mar.20	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Mar.20	£	$
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Mar.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Mar.20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Mar.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES

Prices better after weak start

SHORT-STERLING futures recovered from their opening lows after deriving comfort from favourable UK money supply data. M4 lending was well below expectations, while a fall in the narrowly defined M0 money supply brought the aggregate a little nearer the Treasury's 1-5 per cent target range for the coming fiscal year.

The June contract opened on a weaker note after upward pressure on US rates on Friday instilled a note of caution. The price was quoted at 86.82 at the opening but moved up to a best level of 87.00 before closing at 86.96.

Long gilt futures remained depressed along with US bond futures, as investors digested the inflationary implications of February US producer prices, released last Friday. However, the underlying rise produces a slightly better picture, and the US authorities may be unwilling to push rates firmer, given that the dollar is in danger of approaching what most investors see as its upper limit

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
94	343	446	7	18
95	250	357	14	29
96	161	309	25	45
97	118	230	46	102
98	49	157	113	129
99	27	126	155	162
100	16	101	244	237

Estimated volume total, Calls 2158 Puts 627
Previous day's open int. Calls 25122 Puts 14693

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
80	644	710	8	30
82	455	531	19	51
84	310	401	38	121
86	152	245	116	201
88	57	151	221	307
90	22	105	350	425
92	9	42	537	562

Estimated volume total, Calls 98 Puts 176
Previous day's open int. Calls 1901 Puts 1783

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
19000	1640	0
19500	1140	0
20000	641	1
20500	194	54
21000	13	373
21500	0	860
22000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Apr	Calls-settlements May	Puts-settlements Apr	Puts-settlements May
155	—	—	—	—
160	1100	1100	0	8
165	600	600	10	54
170	191	254	119	214
175	26	75	454	535
180	1	14	929	974
185	0	2	1428	1462

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 48 Puts 1600

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8800	94	105	7	20
8825	74	87	12	27
8850	55	71	18	36
8875	39	56	27	46
8900	25	44	38	59
8925	17	33	55	73
8950	10	23	73	88

Estimated volume total, Calls 50 Puts 675
Previous day's open int. Calls 2789 Puts 4146

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8650	66	122	20	16
8675	50	103	29	22
8700	34	85	38	29
8725	24	69	53	38
8750	16	54	70	48
8775	10	42	89	61
8800	6	31	110	75

Estimated volume total, Calls 720 Puts 1045
Previous day's open int. Calls 17031 Puts 12675

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.650	6.05	6.21	6.63	7.52	0.08	0.49	1.19	2.74
1.675	3.79	4.20	4.82	5.98	0.39	1.08	1.96	3.72
1.700	2.07	2.59	3.35	4.64	1.15	2.02	3.00	4.88
1.725	0.91	1.55	2.23	3.57	2.37	3.29	4.38	6.25
1.750	0.30	0.81	1.40	2.68	4.26	5.03	6.03	7.79
1.775	0.12	0.36	0.86	2.01	6.48	7.05	8.03	9.48
1.800	0.01	0.12	0.47	1.46	8.87	9.27	9.97	11.32

Previous day's open int: Calls 15,091 Puts 15,998(All currencies)
Previous day's volume: Calls 228,632 Puts 272,644(All currencies)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.650	-	-	10.60	16.45	-	-	7.95	3.60
1.700	1.60	6.90	3.95	12.45	2.00	2.90	3.70	5.50
1.750	1.20	1.60	2.00	4.65	3.70	5.35	6.75	7.70
1.800	1.15	2.20	0.95	2.15	4.45	9.20	9.20	10.85
1.850	1.10	0.75	0.55	1.20	10.40	13.70	14.70	11.95
1.900	-	-	2.20	2.00	-	-	14.30	12.90
1.950	-	-	0.60	-	-	-	20.40	-

Estimated volume total. Calls NA Puts N/A
Previous day's open int: Calls 151 Puts 131

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%
[illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%
[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%
[illegible]

THREE-MONTH STERLING £500,000 points of 100%
[illegible]

FT-SE 100 INDEX £25 per full index point
[illegible]

THREE MONTH EURODOLLAR $1m points of 100%
[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%
[illegible]

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100%
[illegible]

POUND-$ (FOREIGN EXCHANGE)
[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%
[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%
[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr
[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100
[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM
[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%
[illegible]

STANDARD & POORS 500 INDEX $500 times index
[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 38,788
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates steadier

UK interest rates retreated from their opening highs to finish little changed on the day. Rates were marked up initially on fears that inflationary pressures in the US could spark off an interest rate spiral and push UK rates firmer.

However, rates slipped back from the day's highs on slightly better than expected UK money supply and bank lending figures. In addition, sterling showed a fairly steady trend until late in the day, by which time interbank trading had finished.

UK clearing bank base lending rate 13 per cent from November 25

The key three-month interbank rate moved up to 13⅛-13¼ per cent before coming back to 13⅛-13 per cent, unchanged from Friday. The one year rate finished at 13⅛-13 per cent also unchanged. Overnight money opened at 12½ per cent and touched a high of 13 per cent. The low for the day was 11½ per cent.

The Bank of England forecast a surplus of around £100m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £990m. These were more than offset by Exchequer transactions which added £645m and a fall in the note circulation of £440m. In addition, banks brought forward balances a nominal £5m above target.

There was no intervention by the Bank during the morning but in the afternoon it sold £75m of Treasury bills at 12⅝-12⅜ per cent, maturing today.

Short-term interest rates were barely changed in Frankfurt. Call money edged up to 5.85-5.95 per cent from 5.80-5.90 per cent on Friday. However, trading conditions are quite nervous at the moment. There appear to be two major factors unsettling the market. Firstly, the Bundesbank is expected to tolerate only a limited dollar appreciation before acting to defend the D-Mark through higher domestic interest rates. Secondly, the timing of any such move is uncertain so that investors are maintaining a neutral stance ahead of an announcement expected today on the terms of the Bundesbank's latest sale and repurchase agreement.

Most traders expect the authorities to stay with a fixed rate tender. A sale and repurchase agreement with no minimum bid rate would almost certainly drive interest rates firmer, and for the time being, most traders think the Bundesbank may be reluctant to sanction a further rise in key lending rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.20) 3 months US dollars | 6 months US Dollars
[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	11½	One month	9.65	Three year	9.83
Broker loan rate	10⅞-½	Two month	9.28	Four year	9.78
Fed funds	9¾	Three month	9.27	Five year	9.70
Fed funds at intervention	9¾	Six month	9.59	Seven year	9.59
		One year	9.79	10-year	9.51
		Two year	9.87	30-year	9.32

Mar.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.85-5.95	6.20-6.35	6.25-6.40	6.50-6.65	6.80-6.95	6.00
Paris	8⅜-8½	8⅝-8¾	8⅞-9⅛	9¼-9⅜	9¼-9⅜	7.25
Zurich	4⅝-4⅞	5⅞-5⅛	-	5⅞-6	-	-
Amsterdam	6.37-6.50	6.56-6.66	-	6.77-6.87	-	-
Tokyo	4¼-4⅜	4⅞-4⅞	-	4⅞-4⅞	-	-
Milan	12¾-13¼	12⅞-13⅛	-	12⅞-13⅛	-	-
Brussels	6.68	8-8½	-	8⅛-8⅞	-	-
Dublin	7⅝-7⅞	7¾-8	7⅞-8¼	8¼-8⅝	8½-8¾	-

LONDON MONEY RATES

Mar.21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13⅛	12¾	12 15/16	13 1/16	13 3/16	13⅛
Interbank Bid	11½	12½	12 13/16	13	13 1/16	13
Sterling CDs	-	-	12¾	13 1/16	13⅛	12⅞
Local Authority Deps.	12¼	12½	12¾	13	13	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13	12½	12⅝	12⅝	-	-
Company Deposits	-	-	12⅞	13⅛	13½	13
Finance House Deposits	-	-	12⅞	13	13¼	12 15/16
Treasury Bills (Buy)	-	-	12 13/16	12 13/16	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13¼	13¼	12	-
Dollar CDs	-	-	10.15	10.45	10.80	11.10
SDR Linked Dep Offer	-	-	8½	8¾	9	9⅛
SDR Linked Dep Bid	-	-	8¼	8½	8¾	8⅞
ECU Linked Dep Offer	-	-	8⅞	8 15/16	9⅜	9¼
ECU Linked Dep Bid	-	-	8⅝	8 13/16	9⅛	9⅛

Treasury Bills (sell); one-month 12 15/16 per cent; three months 12 13/16 per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12 13/16 per cent; Treasury Bills; Average tender rate of discount 12.4600 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1989. Agreed rates for period March 26, 1989 to April 25, 1989, Scheme I: 13.90 p.c., Schemes II & III: 14.29 p.c. Reference rate for period February 1 to February 28, 1989, Scheme IV&V: 13.041 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from March 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988, Deposits withdrawn for cash 5 per cent.

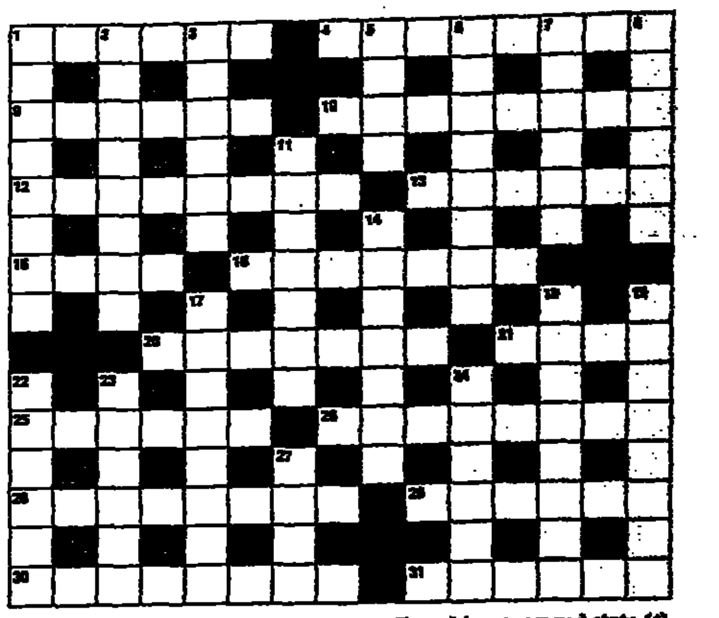
BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.22% Savewise 8.47%. Top Tier-£10,000+ instant access 11.72% § Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%

CROSSWORD

No.6,890 Set by VIXEN



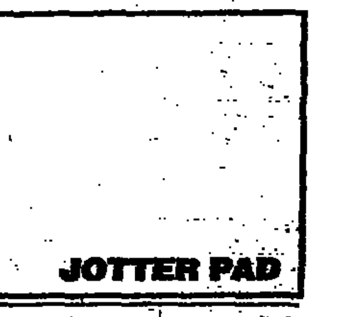
ACROSS

1 Stoop to frame outside right (6)
4 Talk of the standard cut (8)
9 Needing a page, ring please (6)
10 Fruit coming by sea – a variety of apples (8)
12 Stars pop out to get a travel document (8)
13 Rate the fool holding a letter back (6)
15 French department in the North or North-east (4)
16 Suspect calls about debt (7)
20 A bitter will be ordered for a churchman (7)
21 Think of a goddess (4)
25 Some well-formed largish tree (6)
26 An old creature lumbering around is confused (8)
28 They've thrown out the East German with almost brusque following (8)
29 Both modern and ancient craft can be seen on the Trent (6)
30 Make notes about judge, as the wool-gatherer's doing (8)
31 Like a high-flier getting behind (6)

DOWN

1 After tea the politician no-one backed up will appear a hero (8)
2 Taking work modelling this is not in agreement (8)
3 Restricts credit on electricity (6)
5 Found in a very sad state (4)
6 Allowing a flighty creature to drive is a bloomer (8)
7 Mid-evening diner – it's considered more elegant (6)
8 The queen maybe sent for him (8)
11 After the game hundreds made complaint (7)
14 Getting swine to follow a queue (7)
17 The underworld boss rates reform a catastrophe! (8)
18 Manage a means of entry for an old vagabond (8)
19 Capital investment supports the family (8)
22 Moves to effect simple change (6)
23 A dunderhead with a fault – intelligence! (6)
24 They have a certain partiality for left-overs (6)
27 Showing little hesitation in Ireland (4)

Solution to Puzzle No.6,889



JOTTER PAD

COMPANY NOTICE

"ALGEMENE HOUTHANDELINGEN" N.V.
Port Arthurlaan, 40
B - 9000 GENT
Trade Register (H.R./R.C.): Gent 93635
VAT (BTW/TVA): 400.890.550

REPORT TO THE SHAREHOLDERS

The Annual Meeting, held on November 19, 1988, decided to pay a gross dividend of BEF 16,595 to holders of "C" preference shares. This means a dividend of BEF 13,276, after deduction of 20% withholding tax.

Holders of "C" preference shares are requested to submit "Coupon No 4", from March 28, 1989, to "Pierson, Heldring & Pierson" bank, for payment of the aforementioned dividend.

The Board of Directors

COURSES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ...... ♥	91	......
Craig & Rose £1 ...... ♥	720	......
Finlay Pkg. 5p ...... ♥	93	......
Holt (Jos) 25p ...... ♥	1275	......

IRISH

Cap. 8½% Ln. 1991	£100¾	......
9pc Cap Ln. 1996	£101	......
Fin. 13% 97/02	£128½	-½
Arnotts	405	......
Carrol (P.J.) ...... ♥	159	......
Hall (R. & H.)	145	......
Helton Hldgs ...... ♥	73	-1
Irish Ropes	160xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	49
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	72
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	46
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	32
MEPC	50

Oils

Brit Petroleum	22
Do. (P.Pd)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	65
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

3pm prices March 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A – A – A —								
29	21¾	AAR	.44	1.6	19	230	28⅛	27¾	27⅞	−1
10⅛	8⅞	ACM n	1.01	12.		134	8¾	8⅝	8⅝	
11⅞	10¼	ACMIn	1.26a	12.		310	10⅝	10½	10½	− ⅛
10⅛	8½	ACM M	a1.01	12.		247	8⅞	8⅝	8⅝	− ⅛
11⅞	10⅛	ACM Sc	1.26	12.		420	10⅝	10½	10⅝	
10⅛	8½	ACMSp	n.55e	9.7		585	8⅞	8¾	8¾	
6⅛	2⅝	AMCA	.12e	3.1		22	3⅞	3⅞	3⅞	− ⅛
6⅛	3⅞	AM Intl				640	5⅜	5⅜	5⅜	− ⅛
25⅛	18⅛	AM Intl pf	2	8.7		64	22⅞	22⅞	22⅞	+ ⅛
62¼	39	AMR			7	1914	58⅛	57⅞	57⅞	− ⅞
28¾	25	ANR pf	2.67	11.		2	25⅛	25⅛	25⅛	
9½	4⅞	ARX				29	5⅛	5⅛	5⅛	
47¾	35¼	ASA	3e	7.2		595	42⅛	41⅞	41⅞	+ ⅛
20¼	14¼	AVX	.24	1.4	6	129	16⅞	16½	16⅞	+ ⅛
55¾	42⅞	AbtLab	1.40	2.7	15	2407	51⅛	51	51⅛	
20⅞	15⅛	Abitibi g	1			12	16½	16⅛	16⅛	− ⅛
13⅞	7½	AcmeC	.40	4.1		164	9⅞	9¾	9⅞	+ ⅛
8⅛	5⅞	AcmeE	.32	4.5	25	36	7⅛	7	7⅛	+ ⅛
30⅛	20¼	Acuson			28	272	27½	27	27	− ⅞
16⅞	14½	AdaEx	1.82e	12.		101	14⅞	14⅞	14⅞	
16⅞	7⅛	AMD			9	1402	8⅛	8⅛	8⅛	
45½	28¼	AMD pf	3	9.4		28	32	32	32	+ ⅛
8⅜	6½	Adobe				129	7⅞	7⅞	7⅞	− ⅛
18½	16½	Adob pf	1.84	11.		7	17⅛	17	17	− ⅛
21⅞	20	Adob pf	2.40	12.		11	20⅛	20⅛	20⅛	− ⅛
9⅛	5⅞	Advest	.12	1.7	15	60	7⅛	7	7⅛	
52½	39½	AetnLf	2.76	5.5	9	1549	50	49⅞	50	+ ⅛
44½	24	AfilPb s	.22	.5		172	41	40½	40⅛	− ⅛

Continued on Page 47

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

2pm prices March 20

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

TRADING ACTIVITY

	Mar 17	Mar 16	Mar 15
New York	242,900	196,060	167,870
Amex	14,507	14,306	12,724
OTC	139,399	150,680	141,230

NEW YORK	Mar 17	Mar 16	Mar 15
Issues Traded	1,947	1,940	1,924
Rises	214	921	787
Falls	1,424	510	596
Unchanged	309	509	541
New Highs	22	127	77
New Lows	31	17	22

CANADA

TORONTO	Mar 17	Mar 16	Mar 15	Mar 14	1988/89 High	1988/89 Low
Metals & Minerals	3400.4	3428.4	3394.1	3428.4	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3614.4	3651.7	3622.2	3624.8	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1798.99	1821.72	1801.28	1797.43	1850.44 (8/2/89)	1305.06 (27/1/88)

[illegible]

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Chicorp	4,837,300	28¾	+ ⅝
IBM	4,686,100	112½	5⅜
AT&T	4,510,700	32	− ⅜
General Electric	3,185,600	44⅞	− 1⅜
Exxon	2,697,500	45	− 1⅛
J.P. Morgan	2,371,900	38¾	+ 1⅛
American Express	2,361,100	30⅛	− ⅝
BankAmerica	2,264,200	22	+ ⅜
Fannie Mae	2,237,400	63¾	− 3⅝
Sears Roebuck	2,056,500	43	− ⅜

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 20 March 1989

	Stocks Traded	Closing Prices	Change on day
Kumagai	48.8m	1,880	+50
Taisei	37.7m	1,890	+60
Okumura	29.1m	2,330	+100
Penta Ocean	28.7m	1,720	+80
Aoki Corp	24.7m	1,580	+10
Kajima	21.4m	2,510	+110
Nishimatsu	20.8m	1,770	+30
Fujita	19.0m	2,020	+50
Nippon Sanso	16.6m	1,100	-30
Shimizu	14.9m	2,350	+40

AMERICA

Inflation fears prey on jittery Dow

Wall Street

ANXIETY about another inflation shock, when the US consumer price index is released this morning, kept trading subdued but bearish on Wall Street yesterday morning, *writes Anatole Kaletsky in New York.*

Both stocks and bonds opened significantly below last Friday's closing levels. But while the bond market took some comfort from signals of an unchanged monetary policy from the Federal Reserve Board, many equity investors continued to express fear and shock after the 49 point plunge in the Dow Jones Industrial Average on Friday. By 2 pm, the Dow was 28.03 down at 2,264.11. Volume, however, was moderate, with 67m shares changing hands on the Big Board as many institutions decided to stand back from the market until the crucial CPI report. Declines outpaced rises by more than three to one.

A series of large sell orders from Wall Street's recently reactivated programme trading desks provided one reason for the equity market's persistent weakness. Market technicians also noted that the next large support level would not be reached until prices fell to about 2,240 in terms of the Dow.

More fundamentally, analysts said it was difficult for the market to regain its poise before seeing this morning's consumer price figures and judging the Fed's reaction to them. The Wall Street consensus estimate pointed to an 0.5 per cent rise in February's CPI but analysts were divided about whether such an increase would precipitate another monetary tightening.

The Fed's open market operations yesterday morning indicated that it was not ready to push interest rates higher just yet. The Fed did $1.5bn of customer repurchases when Federal Funds were trading at 9⅞ per cent, an action which stabilised the bond market. The Treasury's long bond, which had been down as much as ¾ at one stage in the morning, recovered by lunchtime to show a loss of only 1/32 at 95¼. The bond yielded 9.29 per cent.

The currency markets, where the dollar had risen sharply earlier in the morning on expectations of a monetary tightening, reacted to the Fed's action with some disappointment. The dollar fell to the low end of its trading range at DM1.8735 and Y131.55.

An even more important factor in the dollar's performance was intervention by the New York Fed, which was reported to have sold moderate amounts of dollars for D-Marks at DM1.8780. This disappointed dollar bulls, who had interpreted a speech yesterday by Mr Wayne Angell, a Fed Governor, as giving the green light for the US currency to rise.

The day's big blue chip loser was again IBM, which fell $3 to $109⅜ in a continuing reaction to Friday's disappointing earnings forecast.

One of the biggest losers in percentage terms was Texas Air, which plunged $1⅛ to $11⅞ on news that Mr Donald Trump had drastically lowered the price he was willing to pay for the shuttle operations of Eastern Airlines.

Polaroid lost $2⅜ when a Delaware Court upheld its takeover defence against Shamrock Partners. Emhart declined $⅝ to $40⅜, in spite of a $2.4bn merger agreement with Black & Decker, which fell $2⅜ to $21. The price paid for Emhart, at $40 a share, was lower than expected.

Pennwalt jumped $13 to $130 on news of a $132 a share merger agreement with France's Elf Aquitaine. Coleman, the camping goods company, advanced $4⅞ to $72⅞ when it signed a $74 merger deal with Mr Ronald Perelman. Reebok rose $1⅛ in very active trading on press reports of an imminent leveraged buyout – denied by the company.

Canada

THE prediction by some economists that Canadian banks would soon raise their prime lending rates by half a percentage point helped extend early losses with the composite index down 21.40 at 3,593.00.

SOUTH AFRICA

THE FIRM bullion price helped gold shares maintain their recent good performance although turnover was low.

Southvaal gained R13 to R180.

Property picture brightens Asia

By Hilary de Boerr

BUOYANT property prices helped push Singapore, Malaysia and Hong Kong to the top of the list of best performing stock markets last week.

Singapore reached new highs in record volumes as investors speculated on the real net asset values of property companies, and the market closed the week with a gain of 3.9 per cent in sterling terms, according to the FT-Actuaries World Indices.

Malaysia, closely linked to Singapore through cross-listing of stocks, rose by 3.5 per cent, as did Hong Kong.

The property story is strongest in Hong Kong, where office rents have doubled in price over the past year, helping to boost earnings and share prices in a sector which accounts officially for about a quarter of the market's capitalisation.

James Capel, the London brokerage, estimates it actually represents about 40 per cent of the market when one includes property portfolios, such as Hutchison Whampoa and Wharf, which appear in other sectors.

The Asia Pacific region also produced the world's worst performing equity market last week as New Zealand dropped by 1.9 per cent, hit ironically by bad news on the property front. Chase Corporation, the diversified New Zealand property group, took the market with it when it plummeted over 20 per cent on Friday, on nervous speculation about a capital injection which the troubled group is rumoured to be arranging.

Tokyo meanwhile fell by 1 per cent – helping to pull the World Index into the red by 0.4 per cent – as worries over interest rates and the Government's instability continued to dog sentiment.

Of the other leading markets the UK lost 0.67 per cent after initial Budget glee gave way to concern over the domestic and international economies. Wall Street itself was little changed amid conflicting signals on the US economy contained in the latest batch of economic statistics, covering retail sales, producer prices, capacity utilisation, housing starts and industrial production.

Europe was also little changed, although there were a few highlights. Italy sprang into life with the opening of the April monthly account, putting in one of its best weekly performances this year. The bourse jumped by 2.2 per cent on the week and volumes surged amid renewed optimism over government public spending cuts.

Austria climbed by 2.9 per cent, underpinned by firm foreign demand and the good performance of some second-line stocks, and Ireland rose by 2.1 per cent.

South Africa continued its strong run, with institutional and foreign demand for gold shares helping the index almost 3 per cent higher. The domestic budget also spurred buying as life assurers and pension funds were freed from having to hold a fixed proportion of their funds in cash and government bonds. At least some of the freed funds are expected to make their way into equities.

The South African market now stands in second place in the performance table for the year so far, with Norway still holding the lead.

MARKETS IN PERSPECTIVE

	% change in sterling †			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	+2.94	+10.56	+22.96	+15.26
Belgium	+0.48	-0.01	+3.96	+2.48
Denmark	+1.12	+10.07	+51.40	+13.96
Finland	+1.99	+0.84	+25.49	+15.57
France	-0.01	+0.72	+42.20	+4.72
West Germany	-0.52	+0.93	+10.26	+0.65
Ireland	+2.05	+4.52	+26.39	+15.98
Italy	+2.16	+1.50	+4.66	-0.14
Netherlands	+0.44	+3.31	+12.35	+8.43
Norway	-0.24	+3.25	+52.20	+29.47
Spain	+0.57	+4.43	+8.45	+4.19
Sweden	+1.11	+7.02	+40.31	+15.13
Switzerland	-0.95	+0.62	-6.12	+2.34
UK	-0.67	+0.45	+12.67	+15.72
EUROPE	-0.16	+1.21	+13.72	+9.93
Australia	+0.36	+4.54	+26.51	+1.07
Hong Kong	+3.50	+2.79	+37.98	+24.82
Japan	-1.00	-3.58	+19.06	+2.39
Malaysia	+3.49	+5.27	+41.95	+18.29
New Zealand	-1.93	+0.13	-4.28	+10.25
Singapore	+3.92	+7.07	+38.21	+24.58
Canada	+0.29	+3.81	+18.18	+13.45
USA	+0.03	+1.54	+14.62	+11.17
Mexico	+1.93	+5.66	+20.04	+8.14
South Africa	+2.98	+14.41	+11.11	+26.79
WORLD INDEX	-0.40	-0.45	+16.83	+8.86

†Based on March 17, 1989

ASIA PACIFIC

Nikkei suffers worst fall of year on rate anxieties

Tokyo

A WORSENING external environment for the market triggered a wave of selling and sent the Nikkei average plunging in its biggest loss this year, *writes Michiyo Nakamoto in Tokyo.*

Investors turned wary on fears of further interest rate rises overseas and share prices nosedived soon after the opening. The Nikkei average dropped over 315 points in the first 15 minutes of trading.

After moving within a narrow range during the day it closed down a hefty 366.21 points at 31,654.80. The day's high was 31,999.51 and the low was 31,629.80. Declines led advances by 644 to 281 and 162 issues were unchanged. Volume at 930m shares was less than the 1.18bn traded on Friday but still fairly robust for a Monday. The Topix index of all listed shares plunged 26.55 to 2,393.04 and in later London trading the ISE/Nikkei 50 index showed a 1.68 loss to 1,886.54.

The sharp increase in the US producer price index for February gave rise to growing concerns over inflationary pressures in the US. These fears were exacerbated by higher interest rates in the US, which in turn led to further weakness in the yen against the dollar and a sharp fall on the domestic bond market. Rising oil prices were also seen as likely to lead to greater inflationary pressures both in the US and at home.

Investors were reluctant to take any risks on the market in these circumstances, particularly just before a national holiday and with US consumer prices expected out today. Selling was broad-based but did little harm to the construction sector, which has been the market's leading force recently.

Managers' meetings at the leading securities firms apparently resulted in a scenario for the new business year hardly changed from the current one, which places significant emphasis on the construction issues. These issues are also less affected by interest rate and currency worries as they are rising on the strength of domestic business. Constructions made up a significant proportion of the 56 issues that posted new highs yesterday, reflecting continued investor interest in that sector in spite of the overall negative mood on the market, said Mr Shin Tokoi at County NatWest. Nine out of the 10 most active issues were construction firms.

Top of the list was Kumagai with 46.8m shares traded, rising Y50 to Y1,880. Taisei followed with 37.7m shares and added Y60 to Y1,890. Okumura was third with 29.1m shares and increased Y100 to Y2,330. Brokers and investors alike appeared to have decided that the construction sector, with long-term profit gains almost guaranteed by government projects for national land development, was the one reliable sector for the time being.

Other sectors generally saw losses. Electricals were weak in spite of the strong dollar with Sony falling Y160 to Y6,640 and Hitachi declining Y60 to Y1,540. Heavy capital steels that are sensitive to interest rates also dropped. Nippon Steel was down Y26 to Y912 and Mitsubishi Heavy lost Y20 to Y1,090. Electric power companies fell on higher oil prices, with Tokyo Electric Power retreating Y200 to Y5,850.

Osaka saw heavy falls in most sectors other than construction and the OSE average shed 229.32 to 30,066.59. Turnover at 173.5m shares was, however, higher than the 166m traded on Friday. Kumagai Gumi added Y70 to Y1,900 while Sony lost Y240 to Y6,670.

Roundup

A CLEAR trading pattern emerged in the Asia Pacific region, with markets initially falling heavily in line with Wall Street's losses last Friday then recovering some ground.

HONG KONG was hit hard by the fall on Wall Street, and the Hang Seng index plunged 89.67 to close at 3,046.73 after a 100-point drop in the morning. Turnover was a heavy HK$2.23bn, but slightly below Friday's HK$2.29bn.

A half point rise in local prime rates to 11.5 per cent, the second in two weeks, added to nervousness about inflationary pressures in the US in the wake of the sharply higher producer price figures for February.

Hongkong Land's decision last week to move its domicile to Bermuda was a further depressant on sentiment. Hongkong Land was the most actively traded stock, falling 60 cents to HK$11.

There was some speculative interest in property stocks, amid rumours that a buyer had been found who was prepared to pay handsomely for the Bond Centre. Bond Corp, a half owner in the skyscraper, lost 2½ cents to HK$2.40, and Cheung Kong fell 40 cents to HK$10.10.

Jardine Matheson fell 40 cents to HK$19.70. The leading conglomerate announced a 42 per cent rise in 1988 profits.

AUSTRALIA kept a close watch on Tokyo, falling heavily in early trading. But foreign interest in resources stocks and an absence of heavy local selling enabled the market to trim its losses. The All Ordinaries index ended 11.9 lower at 1,484.4 in fairly low turnover of 75m shares worth A$123m.

Industrials showed the worst falls, with Elders IXL falling 2 cents to A$2.93, Bond Corp off 1 cent at A$1.64 and Brierley Investments shedding 9 cents to A$1.06.

SINGAPORE saw heavy losses, partially staunched by a late round of buying. Trading was cut short by a computer fault after half an hour, but resumed in the afternoon and was extended to make up for the lost time.

The Straits Times industrial index closed 18.97 lower at 1,168.56 after losing 20 points earlier. Most leading blue chips saw losses of between 15 and 30 cents.

SEOUL again went its own way, rising sharply after President Roh Tae-Woo's announcement that he would not hold a referendum on his performance. The composite index climbed through 1,000 for the first time before settling down to close 10.23 higher at 991.64 amid expectations of a stable political and social climate.

TAIWAN plunged on rumours of Central Bank tightening. The weighted index dropped 259.26 to 7,087.83.

EUROPE

US worries leave bourses down but not out

THE FALL-OUT from Friday's US producer prices took its toll on European trading yesterday, although many bourses recouped some territory later in the day. Finnish stocks fell heavily following the revaluation of the markka, *writes Our Markets Staff.*

HELSINKI dropped 2 per cent amid fears of a tighter monetary policy following the currency revaluation. The market was also hit by the general nervousness in equity trading around the world, and the all-share index fell 16.3 to 775.4 after hitting a record high of 791.7 on Friday.

Volume was low, however, at FM73.6m, and some shares picked up a little after hours. Among blue chips, forestry stock Kymmene's free shares lost FM9 to FM131 and Nokia dropped FM5 to FM135.

FRANKFURT pursued Friday's after-market losses, falling by nearly 2 per cent at its worst but recovering a little ground towards the close. The US producer price figures had come too late to hit official trading on Friday, but the resurgence of worries about higher interest rates took a firm grip yesterday.

Sentiment was not helped by a report from the RWI research institute saying inflation would be higher than government predictions. This was followed by news of a newspaper interview with Finance Minister Gerhard Stoltenberg in which he said 1989 inflation might be slightly above current forecasts of 2.5 per cent.

The FAZ index lost 10.02, or 1.8 per cent, to 547.50 and the DAX index closed 19.33 weaker at 1,303.36, after falling to a low of 1,298.96. Volume was DM3.1bn, slightly up on Friday.

Chemical stock Bayer lost DM2.70 to DM293.50 after reporting results in line with market expectations. The company also said it expected a good profit in 1989. One salesman described the figures as "extremely worthy" but insufficient to drag the share price out of the rut.

Engineer Linde lost DM11 to DM785 and after the close announced a one-for-five rights issue which took analysts by surprise.

PARIS was dominated by trading in paper maker Aussedat-Rey, as bidder International Paper snapped up stock on the re-quoting of the issue.

Aussedat-Rey rose FFr63 to FFr675, a gain of 10.3 per cent, to equal the bid price being offered by International Paper. A total of 1.5m shares changed hands, meaning International Paper probably now had control of the French group, according to market operators.

Elf Aquitaine was another feature after announcing an agreed $1bn bid for Pennwalt of the US. But its FFr1 rise to FFr452 was down to the firmness of the oil price, said one analyst. The market had been expecting a US bid.

The bourse recouped some ground after a bad beginning and the OMF 50 index ended 0.73 lower at 451.92 while the CAC 40 index fell 10.67 to 1,603.37.

ZURICH had a fairly featureless session as investors responded negatively to Wall Street's fall on Friday, taking shares lower. The Crédit Suisse index fell 5.8 to 552.9.

Insurance stocks were weak, with Zurich bearers off SFr120 at SFr4,810 and Swiss Re bearers lost SFr100 to SFr9,550. One salesman said: "Monday's never a day for buyers in a big way . . . they're just waiting to see what Wall Street's doing."

AMSTERDAM was undermined further by the nervousness that hit it on Friday as Wall Street plummeted. The CBS tendency index lost 1 to 168.2 but trading volume was reported to be lower than Friday's heavy Fl 1.34bn.

Royal Dutch added 60 cents to Fl 130.60 against the trend, supported by strong oil prices, and retailer Ahold ended Fl 1.90 better at Fl 97.40 after its results on Friday proved slightly better than expected.

MILAN lost ground in profit-taking after last week's rebound, and the bourse was also infected by the unease about global inflationary trends that affected other markets. The Comit index shed 3.89 to 592.29 in turnover estimated to be around L100bn, well below last week's peaks.

Banks were especially hard hit after outperforming recently, but BNA was an exception, climbing L165 to L13,965 as speculation continued about stake-building by Credito Italiano.

MADRID was underpinned by Friday's good domestic inflation news but ended lower in response to New York's battering at the end of last week. The general index fell 0.66 to 278.44.

OSLO fell sharply in response to the large decline on Wall Street on Friday. The all-share index closed 7.18 down at 425.48

STOCKHOLM recovered some of its sharp early losses but closed generally easier. The Affärsvärlden index fell 12.2 to 1,116.6 in turnover worth SKr149m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 17 1989					THURSDAY MARCH 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	138.33	+0.1	119.69	112.31	4.88	138.19	119.26	112.50	157.12	91.16	116.28
Austria (18)	104.74	+1.1	90.63	101.96	2.47	103.56	89.37	100.67	104.74	83.72	90.51
Belgium (63)	131.14	+0.0	113.47	127.59	4.06	131.13	113.16	127.25	139.89	99.14	134.03
Canada (125)	134.91	-2.0	116.73	124.94	3.27	134.33	117.65	117.97	137.27	107.01	121.29
Denmark (39)	169.09	-0.1	146.31	168.17	1.87	169.26	146.06	167.93	180.38	111.42	118.66
Finland (26)	143.27	+1.5	123.96	129.29	1.42	141.19	121.84	128.95	147.07	106.78	121.29
France (130)	114.11	-1.5	98.73	113.71	2.97	115.87	99.99	115.19	119.98	72.77	85.25
West Germany (102)	83.85	-0.3	72.55	81.78	2.32	84.07	72.55	81.79	90.40	67.78	80.79
Hong Kong (44)	132.18	-0.5	114.37	132.32	3.67	132.85	114.65	133.01	133.77	84.90	101.82
Ireland (17)	144.77	+0.1	125.26	142.80	3.57	144.67	124.85	142.80	146.46	104.60	119.79
Italy (98)	80.52	+0.1	69.67	82.81	2.45	80.42	69.40	82.67	86.88	62.99	81.74
Japan (456)	185.73	-1.0	160.70	154.50	0.48	187.53	161.83	155.52	200.11	133.61	165.74
Malaysia (36)	160.79	+0.2	139.12	170.54	2.65	160.49	138.50	170.19	160.79	107.83	120.35
Mexico (13)	164.75	-1.6	142.42	430.41	1.19	163.07	140.73	422.92	182.24	90.07	146.71
Netherland (39)	115.44	-1.9	99.89	111.49	4.53	117.71	101.58	113.46	117.71	91.23	109.17
New Zealand (24)	70.59	-0.6	61.08	60.95	6.32	70.99	61.26	61.30	84.05	63.32	78.36
Norway (26)	170.37	-0.7	147.41	157.48	1.80	171.65	148.13	158.61	174.29	98.55	118.93
Singapore (26)	147.62	+0.0	127.73	131.97	2.06	147.56	127.34	131.71	147.62	97.32	113.49
South Africa (60)	140.32	-2.1	121.41	125.41	4.86	140.41	121.17	124.01	140.41	98.26	134.27
Spain (43)	146.45	-0.4	126.72	129.53	3.72	147.04	126.89	129.72	154.47	128.99	146.17
Sweden (35)	157.69	+0.2	136.44	149.34	2.28	157.36	135.80	149.15	158.38	96.92	119.40
Switzerland (57)	75.69	-0.3	65.49	75.84	2.29	75.91	65.51	75.81	86.75	74.13	85.66
United Kingdom (314)	148.40	-2.1	128.40	128.40	4.31	151.56	130.79	130.79	153.33	120.66	139.69
USA (568)	119.18	-2.2	103.12	119.18	3.65	121.84	105.15	121.84	121.90	99.19	110.47
Europe (1006)	118.30	-1.3	102.36	109.44	3.54	119.85	103.43	110.61	120.88	97.01	110.53
Nordic (126)	148.95	+0.1	128.88	146.82	2.00	148.73	128.35	146.72	149.38	95.32	110.57
Pacific Basin (675)	181.46	-0.9	157.00	151.52	0.70	183.13	158.04	152.49	194.72	130.81	161.27
Euro-Pacific (1681)	156.21	-1.0	135.16	134.73	1.57	157.84	136.21	135.76	164.22	120.36	140.99
North America (693)	120.02	-2.1	103.85	119.08	3.62	122.61	105.81	121.63	122.71	99.78	111.05
Europe Ex. UK (692)	99.73	-0.6	86.29	97.68	2.88	100.35	86.60	98.07	103.11	80.28	92.43
Pacific Ex. Japan (219)	130.27	-0.1	112.71	114.02	4.30	130.45	112.58	114.33	137.65	87.51	107.37
World Ex. US (1879)	155.32	-1.0	134.39	134.17	1.64	156.92	135.42	135.18	162.77	120.26	140.25
World Ex. UK (2133)	140.64	-1.3	121.68	129.29	2.04	142.50	122.97	130.63	146.04	111.77	127.68
World Ex. So. Af. (2387)	141.32	-1.4	122.28	129.10	2.24	143.31	123.67	130.69	146.65	113.26	128.69
World Ex. Japan (1991)	120.05	-1.7	103.87	115.89	3.62	122.13	105.39	117.78	122.37	100.00	110.99
The World Index (2447)	141.32	-1.4	122.27	129.07	2.26	143.29	123.66	130.63	146.51	113.37	128.73

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change/name change: Woolworth Hldgs. to Kingfisher (U.K.) (20/3/89). Latest prices were unavailable for this edition.

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16½	12⅞	ReichTc	1.76	12.	9	97	14½	14¼	14⅜	+⅛
7⅜	4⅞	RelGrp	.32	6.1	16	160	5½	5¼	5¼	−⅛
6⅞	4⅝	RepGyp	.20	4.1	28	57	5	4⅞	4⅞	
48½	39½	RepNY	1.28	2.9	9	165	44½	44¼	44⅜	−⅜
24⅞	14½	Rrone n	.60	3.4	4	58	18⅛	17⅞	17⅞	−⅜
29¼	17	RayRey	.78	2.8	13	242	27⅝	27¼	27¼	−⅜
62¼	40⅛	ReyMll	1.60	3.0	6	3097	54¼	52½	52⅝	−1⅞
40⅞	29⅝	RiteAid	.32	2.6	14	342	32⅝	32⅝	32⅝	
16½	8⅝	Robtsn				23	10⅝	10⅜	10⅜	+⅛
26⅝	21⅞	vjRobins			13	119	25¼	25⅛	25⅛	−⅛
18⅛	15⅝	RochG	1.60	8.8	8	464	17⅞	17⅝	17⅞	+⅛
60	44⅛	RochTl	2.84	5.1	13	97	56⅛	55⅝	55⅝	−⅜
20⅛	18½	RckCtr	1.84	9.7	14	235	19	18⅞	18⅞	
23½	17⅞	Rockwl	.72	3.3	7	1812	22	21⅛	21½	−⅛
460	353⅛	Rckwl pf4.75		1.0		1	458⅞	458⅞	458⅞	
9⅞	5½	RodRen				1	8½	8½	8½	−⅛
37½	29⅝	RoHaas	1.12	3.4	10	372	33⅞	33	33	−⅞
37⅞	22¼	Rohr			16	747	33½	32½	32½	−⅞
19⅞	9	Rollins	.08	.7	25	860	11⅞	11⅝	11⅝	
19⅞	14⅛	Rollins	.52	2.9	17	668	18¼	17⅞	17⅞	−⅜
45⅛	27⅞	Rorer	.80	2.1	20	1373	39⅝	38⅝	39	−⅝
6½	4½	Rowan				1268	6⅝	6⅛	6⅛	−⅛
63½	52⅛	RoylD	e3.62e	5.9	8	3290	62	61½	61⅝	−⅛
15⅝	8⅝	Roylnt	.20a	1.4	17	496	15⅛	14⅝	14⅝	−⅛
8⅞	7⅝	Royce	.51e	6.0		147	8⅝	8½	8½	
28⅝	21	Rubmd	.44	1.6	20	568	27	26⅞	26⅞	
25	17⅝	RussBr	.40	2.3	10	3	17⅞	17⅞	17⅞	
18⅞	12⅞	RussTg	.60	4.5	21	44	13½	13⅜	13⅜	−⅛
21½	14	Russell	.28	1.4	15	95	19⅞	19⅝	19⅝	
32¼	22⅞	Ryder	.60	2.4	15	1411	25⅛	24⅞	24⅞	−⅜

[illegible]

AMEX COMPOSITE PRICES

3pm prices March 20

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices March 20

[illegible]

Kohl's hold over CDU faithful starts to weaken

By David Goodhart in Bonn

FOR THE first time in his seven years as West German Chancellor support for Mr Helmut Kohl inside his own Christian Democratic Union is starting to fray.

He has passed through several political crises during his Chancellorship but his survival to date has always been guaranteed by a firm grip over the party machine and a sound instinct for giving his foot-soldiers what they want.

However his power-base now seems as divided over his "muddling-through" style of leadership as the voters themselves, who have recently turned their backs on the CDU in the Berlin state election and the Hesse municipal elections.

Yesterday, Mr Hubert Doppmeier, vice-chairman of the CDU grouping in the North Rhine Westphalian state parliament, became the first CDU official to say openly that Mr Kohl should step aside as Chancellor candidate after the December 1990 election, unless he stops the party's slide in the European elections in June. These are combined with municipal elections in Rhineland-Palatinate and Saarland.

According to one senior CDU official such views are increasingly common place among local activists and the CDU-supporting local press.

Poll evidence seems to confirm this picture.

According to a poll by the Mannheim Research Group in March only 30 per cent of CDU voters think Mr Kohl has the full support of his party, compared with 83 per cent in February.

Most analysts still think it highly improbable that Mr Kohl will be toppled before the next election. Mr Lothar Späth, Baden-Württemberg's Premier and the most likely challenger, said yesterday he did not want to the Chancellor's job.

Airbus backers decide prestige must be profitable, too

Management changes are aimed at making the project more commercial, writes **Guy de Jonquières**

AFTER ALMOST a year of intricate negotiations, marked by frequent in-fighting at the ministerial and industrial level, backers of the four-nation European Airbus have finally agreed that the pursuit of international prestige must be made to show a profit.

With roughly 1,000 commercial aircraft delivered or on order, Airbus has captured a share of the world market second only to Boeing of the US. It has also acquired potent symbolic status as Europe's most successful exercise in industrial collaboration.

However, the venture has been severely handicapped by its failure to develop into a soundly-based business enterprise. Its unwieldy and fragmented corporate structure, which has remained unchanged since it was set up 20 years ago, has frustrated firm management control and been increasingly criticised for encouraging inefficiency and high costs.

The management restructuring of the Airbus Industrie consortium, confirmed by its Toulouse headquarters yesterday, is intended to tackle these shortcomings by creating a framework in which much firmer commercial disciplines can be imposed.

Even on the most optimistic projections, the heavily-subsidised Airbus had never been expected to be profitable by now. But the consortium's growing ambitions, coupled with adverse currency fluctuations, have dramatically increased the scale of its actual and potential losses.

Eager to capture as big a share as possible of the booming world airliner market, Airbus has been rapidly stepping up production and plans a substantial expansion of its model range.

The heavy investments involved have to be paid for in European currencies. However, Airbus sales are priced in US dollars. Since the dollar began falling three-and-a-half year's ago, the programme's losses have grown with every Airbus sold.

The four European governments involved in Airbus have grown increasingly reluctant to continue making good this deficit out of the public purse. They have also come under mounting political pressure from the US, which has complained that Airbus subsidies are illegal and distort competition.

At the start of last year, the European governments asked four senior businessmen from each of the Airbus countries to recommend a way out of this impasse. Their report, delivered last April, concluded that without radical reforms to improve the programme's efficiency, its survival would be in jeopardy.

Though the report's proposals have not been adopted to the latter, much of their thrust has been incorporated in the reorganisation plan, which will take effect on April 1. Its main elements are:

● Appointment for the first time of a finance director for the Airbus Industrie consortium, charged with ensuring "full open accounting" throughout the Airbus system.

● A streamlining of the Airbus supervisory board, which will be reduced from 17 to five members.

● Creation of an executive board. It will comprise Mr Jean Pierson, the French managing director of Airbus, Mr Heribert Flohsdorff, its German chief operating officer, Mr Robert Smith, its British finance director, and senior executives of the four national aerospace companies involved in the programme.

Decisions by the executive board, which will have broad operational responsibility for Airbus, will be taken by qualified majority vote and will require approval by partner companies commanding at least 60 per cent of the consortium's shares.

The first test of the new structure will be how far it enables Mr Smith, the finance director, to ferret out information about Airbus' overall financial position and the costs and margins of its member companies.

Until now, the peculiarly fragmented structure of Airbus has resulted in financial opacity. Sales and marketing have been handled by Airbus Industrie; development and production have remained the jealously-guarded domain of its four shareholders.

These are Aerospatiale of France and Messerschmitt-Bolkow-Blohm of West Germany, each of which owns 37.8 per cent of the consortium, British Aerospace with 20 per cent and Casa with 4.2 per cent. Each has kept to itself financial information about its Airbus work.

MR SMITH has been given authority to inspect the companies' books and costs. However, his powers of investigation may not extend beyond Airbus work, and he will be prohibited from sharing his findings with anyone other than the company itself and Dr Hans Friderichs, the chairman of the supervisory board.

How serious these limitations will prove in practice remains to be seen. Airbus insiders believe much will depend both on Mr Smith's own persistence and Dr Friderichs' ability to stamp his authority on recalcitrant partner companies.

The drive for greater efficiency may be helped by a change in the bidding system approved for the next proposed model, a "stretched" version of its A-320. The four companies will submit competitive tenders for the whole of this project, instead of dividing up the work between them.

In the longer-term, adoption of this approach could also smooth the way for a rationalisation of the Airbus production system. At present, parts of aircraft are made in more than two dozen factories scattered around Europe and shipped to Toulouse for final assembly.

The system has been blamed for wasteful duplication. Many experts believe efficiency could be greatly improved by concentrating production in fewer sites. Such a move would, however, risk provoking arguments between partner companies.

Nationalism and the pursuit of self-interest have never lain far below the surface of Airbus' veneer of European solidarity, and few observers rule out the possibility that such sentiments will flare again in the future.

Optimists argue, however, that while the reorganisation does not guarantee solutions to Airbus' problems, it does mark an important psychological turning point and reflects a new sense of commercial realism among all involved. Whether that change of attitude has gone far enough to bring the elusive goal of profitability within reach may not become clear for some time.

Belgian public spending criticised

By Tim Dickson in Brussels

BELGIUM'S centre-left Government was criticised yesterday for failing to take advantage of the country's recent strong economic performance to make sizeable cuts in public sector spending.

After weeks of agonised cabinet deliberations Mr Hugo Schiltz, the Budget Minister, announced on Monday that this year's public sector deficit would be BFr 405.4bn (£6bn), or 6.9 per cent of gross national product.

This is significantly lower than the 1988 figure of 7.7 per cent of GNP but, as most economic and political commentators pointed out, it still falls well short of curbing the "snowball effect" whereby interest charges on the national debt rise faster than the nominal expansion of GNP.

The Belgian state now runs a budget surplus but its high level of public sector borrowing – giving it the dubious distinction of having the highest ratio of public sector debt to GNP in Northern Europe apart from Ireland – has long been a major limiting factor on domestic economic policy.

This year's targets are based on estimated Government receipts of BFr 1,598bn and spending of BFr 2011bn. Public spending cuts, meanwhile, only amounted to around BFr 17bn, much of which according to Mr Luk Van Heden of Kredietbank is either short term or technical. "I reckon that there are only BFr 5bn of real spending cuts," he suggested last night.

Most analysts feel that while the Government has achieved its commitment not to increase the budget deficit in nominal terms bigger cuts in public spending could have been attempted in view of last year's near 4 per cent real growth in output and 1989 forecasts of up to 3 per cent.

Management firms in European venture

SIX EUROPEAN management consulting firms have formed a joint venture aimed at winning business from clients preparing for 1992, writes Michael Skapinker. European Independents has been formed by P-E Inbucon of the UK, Kienbaum (West Germany), Orga (Italy), Bossard (France), Hartmark Iras (Norway) and Finco (Denmark).

It says it will offer consulting advice on acquisitions and joint ventures, international marketing strategies, manufacturing, distribution and human resources.

The six firms have a combined annual turnover of £150m and employ a total of 1,400 consultants. They say that they have been working on joint projects for several years.

Sakharov looms over Academicians' poll

By James Blitz in Moscow

ONE white-haired scientist did not wait to enter a polling booth at the Academy of Sciences vote for the Congress of People's Deputies yesterday.

Sitting in full view of his colleagues, he furiously crossed out every name on the list.

The supporters of Dr Andrei Sakharov, the human rights campaigner, hope all the Academicians acted similarly inside the booths.

Many are furious that his name, and those of several other Academicians, were excluded from the list of 23 candidates for the 20 seats allocated to the Academy.

In front of three polling booths (whose thick, ornate curtains were drawn back and forth to emphasise the secrecy of each vote) there stood three long queues. Each contained a roll-call of the Soviet Union's greatest brains.

In one queue stood the large figure of Abel Aganbegyan, one of the economists of perestroika. In another, the silver-haired economist, Tatiana Zaslavskaya, who re-enacted her vote for Western TV crews.

Then rushing in, huddled in a grey raincoat, was Professor Roald Sagdeev, the head of the Soviet space institute. He is one of the candidates people want to see on a new list.

But one person dominated it all. "Poor Sakharov", several Academicians whispered to each other in a huddle. They were not referring to his omission from the list of candidates, but observing that the tall, bald figure with a crooked tie and top button undone was being relentlessly pursued by the TV cameras.

"I know Andrei well," said Prof Veniamin Siderov, one of the country's top nuclear physicists. "I support him because he is a great scientist."

That partly explains the hubbub. It is Sakharov's colossal place in Soviet science, as much as his human rights record, that has made his omission from the list of candidates seem so bizarre to his fellow Academicians.

His supporters hope that if enough names are struck out, several candidates will fail to get the 50 per cent of the vote needed to be elected.

The fury over the affair converted Monday's convention of the Academicians, which should have been a formality, into a eulogy to the "Father of the Hydrogen Bomb".

Yesterday Dr Georgy Arbatov, the Head of the USA Institute, could be seen talking animatedly to the former resident of Gorky. They were both laughing. But four years ago Dr Arbatov would not have mentioned his name.

● Sakharov (right) leaving the electoral convention.

Bid to mend fences in Delors committee

By Peter Norman, Economics Correspondent

THE DELORS Committee of European Community central bank governors and outside experts which is studying possible steps towards economic and monetary union in the EC has scheduled an extra meeting in April in an attempt to resolve differences.

European monetary officials said the committee will meet in Basle on April 19, one week after it was originally due to finalise its report for EC heads of government. The committee will still meet as planned for a one-and-a-half day session in Basle starting on April 11.

The officials said that extra discussion was needed to allow the 17-strong committee time to review amendments to its most recent draft report. The latter was strongly criticised in Basle last week by Mr Karl-Otto Pöhl, the West German Bundesbank president, as well as by Mr Robin Leigh-Pemberton, the Governor of the Bank of England, and Mr Pierre Jeans, the head of the Luxembourg Monetary Institute.

Mr Pöhl protested that the draft envisaged too rapid a movement towards economic and monetary union and complained that it planned a substantially increased role in European monetary affairs for the European currency unit, which is a weighted basket of EC currencies.

Britain and Luxembourg objected to the draft because it assumed that the 1992 programme for a barrier-free Europe must lead to monetary union.

Brussels clears state aid for HDTV research

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday allowed Britain to spend Ecu20m (£13m) and West Germany Ecu48m (£31m) to support participants in cross-border joint research for European standards for high definition television (HDTV).

The project, a mixture of industrial and academic research, is part of the Eureka pan-European technology programme. It is designed to provide an EC alternative to existing Japanese HDTV standards, to be submitted to the next meeting of the International Radio Consultative Committee (CCIR) in 1990, which will decide on the standard to be adopted as the world norm.

Other state aid schemes to receive the green light yesterday covered the West German and Danish shipbuilding industries, Spanish and Italian steel, Spanish research into energy efficiency, car production in Portugal and the marketing of Greek tobacco.

Italians put work-a-day habits low on their list of priorities

By John Wyles in Rome

TRAFFIC into the centre of Rome was heavier than normal yesterday morning and parking places even more elusive because, almost certainly, more bureaucrats than usual were turning up at work.

Seasoned observers point out this is usually the case when word goes around that the powers that be are having a crack-down on absenteeism.

The powers in this case are not the management of government departments, nor Ministers themselves, but the magistrates. Acting on formal complaints from members of the public, a Roman magistrate sent the *carabinieri* (police drawn from the ranks of the military) into a variety of government offices on Monday morning and sequestered their employee attendance records.

This tends to send a frisson of anxiety through the departmental ranks since, according to government figures, the rate of absenteeism in 1987 was 8.49 per cent, or an average of 17 days a year for men and 33 for women. This, it must be said, is not exceptional for the Italian public sector; absenteeism in that year reached 10.67 per cent in some public companies.

But figures compiled by Raffaele Costa, liberal member of parliament, suggest that so high is absenteeism in some departments that, if called upon to work properly, they would be unable to do so.

The Ministry of Cultural Heritage, for example, turns in massive rate of 16.34 per cent, far outstripping the Treasury's 10.5 per cent and Health's 10.5 per cent.

It is estimated that 10,000 bureaucrats stay home from their jobs in Rome every day, with the rate of absenteeism twice as high among women than men.

The Government carried out a spot check on absenteeism in 1982 and discovered a case of a postal worker who went to his office only once a month, for his pay packet. The rest of the time he worked in his wife's electrical appliance shop and shared his salary with five colleagues who covered for him.

Polish parliament to consider draft laws on elected senate

By Christopher Bobinski in Warsaw

DRAFT laws giving Poland a president as well as a democratically elected senate and a place for Solidarity in the main parliamentary chamber get their first reading in parliament today.

The session comes as Solidarity and the authorities negotiate draft legislation at the round table, with the opposition seeking to whittle away powers the new president seems set to get and, at the same time, increase the importance of the senate.

Solidarity complaints that the drafts have been sent to parliament without a final accord at the round table have been answered with promises that changes can still be made while the legislation is being discussed in parliamentary committees.

The authorities have said that speed is essential if the elections are to be held in June. At present, the new president – to be elected by both chambers for a six-year term – would head the army, be responsible for foreign policy, propose the prime minister for approval by parliament, as well as order new parliamentary elections.

The senate, by contrast, would be deprived of the right to initiate legislation under the draft laws. Furthermore, it would only be able to block laws passed by the lower chamber if the chamber upholds the senate's veto.

Seats in the lower chamber are to be divided before the election, giving the established parties 65 per cent and the Solidarity opposition 35 per cent.

● Solidarity supporters active at the round table talks are to travel to the Soviet Union for the first time early next month at the invitation of Democratic Perestroika, an unofficial Soviet political group.

Deadlock at hazardous waste treaty talks

By Paul Abrahams in Basle

THE international conference trying to agree a treaty controlling the transport and disposal of hazardous waste remained deadlocked here yesterday.

The main stumbling-blocks appear to be a series of largely African amendments. Although these have no particular focus, the Africans are stressing that countries which produce the waste should remain responsible for its ultimate disposal.

The treaty is due to be signed today. If adopted and ratified by the 110 countries at the conference manufacturers will find the cost of handling special wastes greatly increased.

It is intended to prevent the sort of illegal dumping of waste in African countries which has gained considerable publicity in recent months.

An important objective is to reduce the international transport of hazardous waste. Mr Mostafa Tolba, executive director of the United Nations Environmental Programme, believes this can be achieved by minimising waste production through more efficient manufacturing, through investment in recycling, and by treating the waste locally, as far as possible.

The treaty would accelerate investment by European manufacturers in environmental measures. It is estimated that as many as 40 rotary kiln incinerators will have to be built in Europe during the next decade. These provide the most effective method of dealing with hazardous waste if it is not to be exported or placed in local landfill sites.

"Investment in waste management is important," says Mr Gotti Eigenmann, manager in charge of Audit and Staff Environment at Ciba-Geigy, the Basle-based chemical company. "But we need internationally accepted standards so that manufacturers know that other companies are not gaining competitive advantage by using cheap and environmentally unsound methods of handling special wastes," he says.

A price worth paying, Page 41.

Romanians face trial for attempting to protest

By Judy Dempsey in Vienna

FOUR ROMANIAN journalists who were arrested in January for trying to distribute leaflets critical of President Nicolae Ceausescu are expected to go on trial. They are accused of spreading propaganda against the state, according to Amnesty International, the London-based human rights organisation.

Mr Mihai-Petre Bacanu and Mr Anton Uncu, who work for the Romania Libera weekly, Mr Mihai Creanca, a theatre critic on Romania Pitoreasca, and Mr Alexandru Ghiroin, a printer at the Scinteia publishing house, were detained between January 25-27. They have been denied access to their lawyers and, according to Amnesty, have been subjected to "physical and psychological pressure".

Unconfirmed reports from Bucharest and the West suggest they had planned to distribute leaflets on January 25, Mr Ceausescu's birthday. Such action is rare in a country where the security authorities wield enormous power and the media maintain a continuous flow of eulogies of Mr Ceausescu.

Despite the heavy penalties for dissent, individual petitions in recent months suggest that discontent with Mr Ceausescu's autocratic rule is growing.

Six former senior officials of the Romanian Communist Party recently wrote an open letter to the authorities appealing for human rights and an end to economic policies which, they said, had harmed the country irreparably. They have since been detained.

● A Czechoslovak appeal court yesterday reduced by one month a nine-month jail sentence on the dissident playwright Mr Vaclav Havel, Reuter reports from Prague. The court also ordered his transfer to a prison where conditions are less harsh.

Dissidents attributed the reduced sentence, imposed after a week of political protest in January, to widespread international condemnation of Mr Havel's treatment.

W German N-sales to Pakistan alleged

AT LEAST 70 West German companies provided Pakistan with technology to develop nuclear weapons, the weekly magazine Stern reported yesterday, AP reports from Bonn. It also alleged that Bonn officials ignored intelligence information about the apparently illegal exports.

A regional prosecutor in the city of Hanau, Mr Klaus Schneider, confirmed to AP that his office had uncovered information implicating the companies during a review of Pakistani banking records. The office brought the findings to the attention of federal customs authorities, Mr Schneider said.

Ms Benazir Bhutto, Pakistan's Prime Minister, has repeatedly denied that her country has nuclear weapons and has no intention of developing them.

"From special steel, optical equipment and computers to highly explosive tritium, the German companies delivered practically everything that is needed for the construction of an atomic bomb – in part intentionally and in part certainly in good faith," Stern said in a report provided to news media in advance of today's publication.

It said customs inspectors "are now investigating nationwide more than 70 West German companies" suspected of illegally providing Pakistan with equipment and material for nuclear weapons development.

Italy's Communists and Socialists fight for leadership of 'alternative left'

By John Wyles in Rome

ITALIAN POLITICS moved yesterday into a new and still more competitive phase with the opening of formal hostilities between Communists and Socialists over who should lead any "left alternative" to a Government dominated by the Christian Democrats.

The issue has occupied much of the Communist party's annual congress which closes today after five sessions of almost cloying unanimity about the wisdom of the new social democratic direction laid down by the new leader, Mr Achille Occhetto.

His strategy, approved by the sort of extravagant majority (95 per cent) for which Communist congresses are famous, is to end a decade of electoral decline by presenting the PCI as the rallying point for all "reformist" forces seeking an alternative to the 40-year regime controlled by the Christian Democrats.

This is a blatant attempt to steal the clothes of Mr Bettino Craxi, the Socialist leader, who for all of this decade has enjoyed the luxury of planning a reformist alternative from inside the shelter of a five-party coalition with the Christian Democrats.

In a provocative opening speech to the congress last Saturday Mr Occhetto accused the Socialists of inhabiting too many "common houses" and invited them to make a start by leaving the one run by the Christian Democrats.

In response, Mr Craxi maintained his line that there was not much difference between the Occhetto PCI and the Communist party of yore, and that Mr Occhetto's speech was "full of old stuff".

In reality, he knows that much has changed and is changing in the party, but the PCI can only be an acceptable partner for Mr Craxi when it has ceased to call itself Communist and, most crucially, when the difference in the two parties' electoral support (currently about 12 points in the PCI's favour) has swung to the Socialists' advantage. The first test of this new trial of strength on the left will be the European Parliament elections in June.

Mr Occhetto's achievement since he took over the leadership last June has been to rally behind him both the hard Communist left led by Mr Pietro Ingrao, and the party's right wing, led by Mr Giorgio Napoletano.

This has put the highly agreeable but barely reconstructed Stalinist, Mr Armando Cossuta, in anachronistic isolation, criticising the lack of a clear party line on everything from taxes to health and regretting influences which consider Marxism "a closed phase" in the party's history.

But for all of Mr Occhetto's references to the PCI's place in the European social democratic left, the party remains deeply involved emotionally and politically with Moscow. Out of the L3bn (£1.2m) it has spent on staging the congress outside Rome, it laid out a tidy sum on a giant screen behind the main podium upon which flashed on Monday a cranium bearing one of the world's most famous birthmarks.

It was Mr Occhetto's idea that Mr Mikhail Gorbachev should send a recorded message to the gathering and the 1,200 delegates were mesmerised by his televisual presence. Saying that he felt as though "I am taking part in your work," the Soviet leader drew a parallel between the PCI's search for "new solutions to the new problems of our time" and the "revolutionary restructuring" under way in the Soviet Union.

In his speech last Saturday, Mr Occhetto seemed open to the idea of changing the party's name. He does not find the idea heretical, nor do the 40-year-olds he is promoting in the party. But the emotions upon which Mr Gorbachev played burn fiercely among the old guard, and it was Mr Ingrao who told the congress that the PCI would never abandon its name, nor the hope of changing the capitalist system.

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